THE VETERANS' ADMINISTRATION BUDGET FOR FISCAL YEAR 1983

HEARING

BEFORE THE

COMMITTEE ON VETERANS' AFFAIRS
HOUSE OF REPRESENTATIVES

NINETY-SEVENTH CONGRESS

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THE VETERANS' ADMINISTRATION BUDGET FOR FISCAL YEAR 1983

MONDAY, MARCH 1, 1982

House of Representatives,
Committee on Veterans' Affairs,
Washington, D.C.

The committee met, pursuant to notice, at 9:10 a.m., in room 334, Cannon House Office Building, Hon. G. V. (Sonny) Montgomery, presiding.

Present: Representatives Montgomery, Danielson, Mottl, Edgar, Applegate, Leath, Daschle, Stump, Dowdy, Murphy, Won Pat, Heckler, Sawyer, Dunn, and Napier.

The **Chairman**. The committee will be in order.

Before we hear from the Administrator of Veterans' Affairs on the fiscal year 1983 budget, we would like to take up the recommendations of the Subcommittee on Hospitals and Health Care concerning an amendment to H.R. 4326, a bill reported by the Small Business Committee. This bill would, among other things, require the Veterans' Administration to set aside a portion of its research budget for small businesses.

Since the bill would affect the Veterans' Administration, it was sequentially referred to our committee. The bill has also been sequentially referred to three other committees.

On January 27, the Subcommittee on Hospitals and Health Care held hearings on the bill concerning its impact on the Agency's research program. The subcommittee has proposed an amendment to the bill. A copy of the amendment is before each member.

We are also meeting this morning to receive testimony from the Administrator of Veterans' Affairs, Mr. Robert P. Nimmo, and his staff, on the VA budget request for fiscal year 1983. In addition, we will receive testimony from The American Legion, the Disabled American Veterans, the Veterans of Foreign Wars and Dr. Herbert Rose, the president of the Association of VA Investigators and Research Administrators.

The Congressional Budget Act requires the committee to submit its views and estimates on the administration's proposed budget to the Committee on the Budget by March 15 of each year. The schedule is particularly difficult this year since we did not receive the budget until February 8. The situation has been compounded by the fact that our original hearing date had to be changed because of scheduling problems in the House itself.

We had great difficulty with VA's budget last year. We were successful in restoring major cuts proposed for the medical program in fiscal year 1982. Given the current economic situation, this year's budget seems more reasonable. I would not suggest it is an overly generous budget, however. The fiscal year 1983 budget shows an overall increase although several legislative cost-saving provisions totaling some $328.5 million are being recommended. This budget does indicate to me that Mr. Nimmo has been reasonably effective in his deliberations with the Office of Management and Budget. Mr. Administrator, you are to be commended for having stood your ground with the Office of Management and Budget.

I am concerned with the proposed cuts in the programs for service-connected disabled veterans. The reductions seem to be weighted against those veterans to which we have always given the highest priority. We shall ask some questions about this following your presentation.

Mr. Administrator, I want to apologize for the schedule changes. I hope it was not too much of an inconvenience to you and the members of your staff.

This being the first official visit you have made to the committee since being confirmed as Administrator, I want to officially welcome you and to say how pleased we are to be able to discuss the budget with you today.

Now, Mr. Sawyer, before giving the floor to the Administrator, do you have any comments, since Mr. Hammerschmidt is not here yet?

Mr. SAWYER. No, Mr. Chairman. I am very pleased to meet the new Administrator. I will be very interested in hearing what he and his people have to say.

The CHAIRMAN. Mr. Nimmo, you may proceed. We try to limit our witnesses—I think it is a good rule—to 10 minutes. We would hope that you could keep within that rule, if you can. If you can't, certainly we can work something out.

The Chair recognizes the Administrator of the Veterans' Administration.

STATEMENT OF ROBERT P. NIMMO, ADMINISTRATOR, VETERANS' ADMINISTRATION, ACCOMPANIED BY CHARLES T. HAGEL, DEPUTY ADMINISTRATOR; O. FIELDING COCHRAN, ASSOCIATE DEPUTY ADMINISTRATOR FOR CONGRESSIONAL AND PUBLIC AFFAIRS; ELIZABETH BURKHART, ASSOCIATE DEPUTY ADMINISTRATOR FOR INFORMATION MANAGEMENT; WILLIAM F. SULLIVAN, ASSOCIATE DEPUTY ADMINISTRATOR FOR LOGISTICS; FRANCIS DeGEORGE, ASSOCIATE DEPUTY ADMINISTRATOR FOR ADMINISTRATION; JOHN P. MURPHY, GENERAL COUNSEL; ROBERT E. COY, DEPUTY GENERAL COUNSEL; CONRAD R. HOFFMAN, ASSISTANT DEPUTY ADMINISTRATOR FOR BUDGET AND FINANCE; EMERSON MARKHAM, DIRECTOR, BUDGET SERVICE; RAYMOND S. BLUNT, ASSISTANT ADMINISTRATOR FOR PROGRAM PLANNING AND EVALUATION; DAVID A. COLE, ASSISTANT DEPUTY ADMINISTRATOR FOR CONGRESSIONAL AFFAIRS; WILLIAM A. SALMOND, ASSISTANT DEPUTY ADMINISTRATOR FOR CONSTRUCTION; GERALD E. NEUMANN, DIRECTOR, PROGRAM CONTROL AND ANALYSIS STAFF, OFFICE OF CONSTRUCTION; CLYDE C. COOK, ASSISTANT DEPUTY ADMINISTRATOR FOR PROCUREMENT AND SUPPLY; JACK J. SHARKEY, ASSISTANT DEPUTY ADMINISTRATOR FOR DATA MANAGEMENT AND TELECOMMUNICATIONS; MICHAEL RUDD, ASSISTANT DEPUTY ADMINISTRATOR FOR PERSONNEL AND LABOR RELATIONS; FRANK S. SATO, INSPECTOR GENERAL; DONALD L. CUSTIS, M.D., CHIEF MEDICAL DIRECTOR, DEPARTMENT OF MEDICINE AND SURGERY; WILLIAM J. JACOBY, M.D., DEPUTY CHIEF MEDICAL DIRECTOR, DEPARTMENT OF MEDICINE AND SURGERY; JOSEPH P. TRAVERS, DIRECTOR, RESOURCE MANAGEMENT, DEPARTMENT OF MEDICINE AND SURGERY; DOROTHY L. STARBUCK, CHIEF BENEFITS DIRECTOR, DEPARTMENT OF VETERANS BENEFITS; JOHN W. HAGAN, JR., DEPUTY CHIEF BENEFITS DIRECTOR, DEPARTMENT OF VETERANS BENEFITS; ALEX S. KRAUT, DIRECTOR, BUDGET STAFF, DEPARTMENT OF VETERANS BENEFITS; PAUL T. BANNAI, CHIEF MEMORIAL AFFAIRS DIRECTOR, DEPARTMENT OF MEMORIAL AFFAIRS; VINCENT L. CORRADO, DEPUTY CHIEF MEMORIAL AFFAIRS DIRECTOR, DEPARTMENT OF MEMORIAL AFFAIRS; AND GARY L. COLE, DIRECTOR, BUDGET STAFF, DEPARTMENT OF MEMORIAL AFFAIRS

Mr. NIMMO. Thank you very much.

We are pleased to be here this morning to present our 1983 budget request for the Veterans' Administration. I will be very brief.

This budget represents a concerted effort by all of us in the Veterans' Administration to protect the benefits for the veterans and at the same time try to accommodate the economic environment in which we have to live today.

There has been a tremendous amount of compromise and effort gone into this budget. We think we have a good budget. We are pleased with our effort. Nevertheless, we recognize that reasonable people can differ over some of the items here and there is always room for some compromise.

I think the committee staff is well aware of the details of the budget, so I will not go into them, but the staff and I will be prepared to answer your questions immediately after the presentation of my compatriot, Mr. Hoffman, our Controller.

[The prepared statement of Mr. Nimmo appears on p. 75.]

The **Chairman**. The Chair recognizes the Controller, Mr. Hoffman.

STATEMENT OF CONRAD R. HOFFMAN

Mr. **Hoffman**. I will briefly go over the highlights of the 1983 budget for the committee.

The 1983 appropriation request totals $24.1 billion. This reflects increases in compensation, medical care, and construction, and also reflects a decrease in readjustment benefits. This is an increase of $867 million over the 1982 appropriation.

The 1983 appropriation request includes a reduction of about $234 million in legislative proposals which would result in savings. Proposed legislation not included in the request of some $776 million brings the total requiring action by Congress to $24.9 billion.

Pay costs for 1982 are not included in the 1982 budget. These amount to some $175 million, but there are annualized costs of $196.7 million included in the 1983 budget submitted to Congress.

Total outlays for 1983 of $24.4 billion are up $222 million over 1982. Our legislative proposals reflect approximately $776 million in cost impact and $234 million related to legislative savings that would affect the appropriations requests.

In addition, there is a $94 million savings item for a legislative proposal reflecting a one-half of 1 percent loan processing fee which, if approved, would provide for that income to be deposited in the General Fund of the Treasury.

Going over the compensation account proposed legislative items, in addition to the 8.1 percent cost-of-living increase of some $771 million, there are three items reflecting savings under legislation.

One, providing for delay of payment to the first full month of entitlement has a $9 million savings impact in 1983. This, incidentally, also is reflected as a possible savings in 1982, with an effective date of July 1, 1982.

The second, to amend the end-of-year rule to end-of-month, has a $1.4 million impact in 1983.

The third item would eliminate dependency allowance for vets rated less than 50 percent disabled and would have a $135.3 million savings in 1983.

In the pension appropriation there are four items, all of which are savings legislation. The first relates to the issuing of benefit checks in even dollars, with savings of $10.8 million, another would delay payments to the first full month of entitlement for a savings of $19.8 million. The third would amend the end-of-year rule to end-of-month with a savings of $1.8 million.

The last would amend the definition of a dependent child, with $30.3 million in anticipated savings.

Under readjustment benefits there are two items. The first would eliminate correspondence training, with savings of $5.6 million.

The second would eliminate subsistence allowances for vocational rehabilitation dependents, with savings of $19.7 million.

There are two small items under general operating expenses. One has a savings impact that would eliminate the inspection of vocational rehabilitation institutions to insure 50 percent or more of veterans are employed in field of training, for $223,000 in anticipated savings. The other would authorize payment for construction of safety improvements on land adjacent to national cemeteries. That has a $100,000 cost impact.

Under medical care we are proposing to eliminate a revolving fund authorization and instead ask for authority to provide for direct appropriations to the medical care appropriation instead of the construction and operation of garage and parking facilities account. The amount there would be $4.7 million in additional costs.

Last is the proposed item which would reflect the one-half of 1 percent fee, which I referred to earlier. This is approximately a $95 million saving. As I said, that would be reflected as a deposit to the General Fund of the Treasury.

The 1983 appropriation request in terms of total dollar impact and percentages, reflects that benefit programs would amount to 62.6 percent of the total appropriation of some $24 billion. This would amount to $15.1 billion. For the medical programs, it is 32 percent of this total and would be $7.7 billion. General operating expenses are at 2.9 percent, or $693 million, and last construction programs constitute 2.5 percent of the total, at a level of $611 million.

The budget request provides for average employment of 218,420 in 1983. This is an increase of 955 over the current year estimate.

The Department of Medicine and Surgery is the primary recipient with a net increase of 1,167. This would be for workload increases in new facilities and other programs. This budget, incidentally, does reflect four new nursing homes, one new outpatient clinic and expansion or relocation of five existing clinics.

The Department of Veterans' Benefits would reflect a 218 average employment reduction in this budget.

For the compensation appropriation, the request is $10.1 billion which includes the $771 million cost-of-living increase of 8.1 percent and proposed legislative savings of $145.7 million. With these proposals, the appropriation request is up $542 million. Along with an increase in average payment there is an increase in the veteran caseload to a level of 2.3 million for an increase of 6,550.

For pensions, the request is $3.9 billion for 1983, which is down $133 million. This includes also, under existing law, an 8.1 percent rate increase effective June 1, 1982, and a projected 6.5-percent increase effective June 1, 1983. The combined effect of these two increases adds $245 million to the 1983 request.

Turning to the burial benefits and miscellaneous assistance account, this goes down by $6 million to a level of $141 million in 1983. The Reconciliation Act of 1981, Public Law 97-35, enacted on August 13, 1981, restricted the $300 burial allowance to those veterans entitled to VA compensation or pension.

The CHAIRMAN. You are now on page 7, is that right?

Mr. HOFFMAN. Yes.

The outlay impact of this enactment, of this legislation, is $81 million reflected in 1983 and the 1982 impact was a saving of $75 million. For readjustment benefits, the appropriation for 1983 is $1.7 billion. This is down $279 million. The GI bill benefits continue to decline. This reduction reflects the decrease in the number of eligible beneficiaries as more veterans reach their eligibility date. Veteran trainees are down 150,000 in the 1983 budget.

Turning briefly to page 8 of the briefing material, the appropriation request for 1983 for general operating expenses is $693.4 million. It is up $53.3 million over the 1982 level. Full-time equivalent employment is down 161 FTEE and of this total, DVB has a 218 full-time equivalent reduction. There are some add-ons in nine general administration accounts for additional program needs.

Turning to medical program funding on page 9, for the medical care appropriation, the 1983 request is $7.5 billion, up $530 million over 1982. Average employment will increase by 1,259 to a total level of 187,546.

The medical and prosthetic research appropriation request, of $137.8 million, exceeds the 1982 level by $9.6 million. Average employment, however, is dropping 199, to a level of 3,914. These resources will continue to support cooperative studies and career development programs, high priority medical research programs, and research at 129 VA medical centers.

The medical administration and miscellaneous operating expenses appropriation request in 1983 is $55.8 million up $415,000 over 1982. There will be a slight decrease of 13 FTEE from the previous year.

Under the medical treatment programs, some of the highlights are that VA hospital inpatients treated will total 1,252,000, an increase of 4,000 over 1982. The outpatient visits at 18,110,000 will be up 92,000; these are all staff visit increases.

Lastly, the VA hospital average daily inpatient census of 63,545 will be down by 434 from the current year. The operating beds reflected in the 1983 budget are 90,042, of which 80,437 are VA hospital beds and 9,605 are VA nursing home beds. This is in keeping with the requirement of Public Law 97-72. The VA hospital occupancy rate reflected in this budget would be 79 percent.

Turning to page 12 on construction programs, the 1983 request before you totals $611.5 million. This is up $137.2 million over the previous fiscal year. Major construction accounts for $419 million of this total and minor construction $192 million.

The medical program portion of this construction request is about $577 million, an increase of $136 million over the previous year. The cemetery program will be $2.1 million of the total and general administration funds to support 765 full-time equivalent employment are almost $33 million. This request places major emphasis on correction of code deficiencies throughout the health care system.

Of the $577 million for medical construction programs, replacement and modernization is $256.7 million, there is an additional $35.4 million for nursing home care projects and, as I indicated earlier, Mr. Chairman, for correction of code and other deficiencies there is $85 million included in the program.

Funds are also included to develop 14,800 gravesites and additional facilities at the Fort Snelling cemetery.

That concludes the formal briefing.

[The VA fiscal year 1983 budget appears on p. 77.]

The CHAIRMAN. Mr. Hoffman, thank you. That is about as quick as I ever heard of going through the third largest budget in the Government. I think we generally got the idea, and I think it is basically what this committee wants.

The Chair will save its questions for a later time.

I would like to recognize Mr. Mottl at this time. As we go around we will give 5 minutes. We have a light system on the table in front of you. Then after we have gone to every member, then we will come back and give members with particular interest more time than the 5 minutes, if they so desire. You will be recognized in the order you came in. We did start at 9 a.m.

The Chair recognizes the chairman of Hospitals and Health Care Subcommittee, Mr. Mottl.

Mr. MOTTL. Thank you very much, Mr. Chairman.

Mr. Nimmo, you were quoted extensively in the Baltimore Evening Sun article that appeared on February 18, 1982. The headline of the article written by Thomas Haster, is "VA Plans Cuts in Free Medical Care."

The whole slant of the article is aimed at the elderly veterans, who are those 65 years of age or older. According to the article, your principal concern is the gigantic surge in the number of veterans reaching this age in the next few years.

Nowhere in the news article did I see an explanation that their eligibility is for hospital care only; nowhere in the article did I find that you or anyone else said that their eligibility was restricted to that provision of law which states that it must be within the limits of the VA facilities; nowhere in that article did I see any reference to the fact that a VA physician must first determine that hospital care is necessary.

I would like to say it is my opinion that there are no free veterans' benefits. They are all earned in service to this great Nation.

After reading this article of a recent interview with you, my impression is the VA is seeking to mislead the American people into believing that unless something is done to repeal the eligibility for elderly veterans, a vast number of hospital beds will have to be constructed to meet the demands you imply exist.

Would you please comment on this?

Mr. NIMMO. My response, Mr. Mottl, would simply be that I think it is an issue about which we need to be concerned. While the veteran population is declining, it is rapidly aging, and if it is the public policy that all of those people who are eligible be accommodated in VA hospitals, clearly we are going to have a very severe space problem.

As the premium rates go up under medicare, it seems clear to me that a great many people who are otherwise covered under the Social Security Act will opt to go into VA hospitals. So, it just seemed to be an issue that the public ought to be aware of.

Now, nowhere in there did I ever suggest, nor do I suggest, that the VA is proposing any changes to entitlements. I just think it is an issue that has serious economic consequences in years to come and is one which, in my judgment at least, the public ought to be aware of.

Mr. **Mottl**. With all of the current talk about New Federalism and bringing back the Federal Government, the responsibility for the medicaid program with some other programs being passed to the various States for funding, it would seem to be most inconsistent to terminate the eligibility of certain non-service-connected benefits, including those age 65 and older, while maintaining, perhaps expanding, health care programs for the general population. This would be particularly applicable when the VA can deliver the health care more economically than it can be delivered in the private sector. Please give us your position on this matter.

Mr. **Nimmo**. I think my own view is that certainly we have an absolute obligation to take care of the service-connected veteran in as fine a manner and as generous a manner as we possibly can.

Whether or not, given today's social environment, we have the same obligation with respect to the veterans whose service may have been little more than an inconvenience is another matter.

Now, of course it is not for the Veterans' Administration to decide. That is a matter for the Congress to decide. As long as the eligibility rules remain what they are, we are certainly going to do everything we can to take care of those veterans on the current eligibility rolls.

It still seems to me, however, that given the aging veteran population and consequences that derive from that, the public should be aware of the possible costs.

Whether or not the VA can deliver health care cheaper than anyone else can is, I think, perhaps a matter for some debate. But irrespective of that, it makes no sense to me to conclude that even if we can deliver it better, that we therefore have an obligation to provide it for everybody.

We ought to provide the best health care we can to the veterans who are eligible under existing law.

Mr. **Mottl**. Mr. Chairman, can I continue or——

The **Chairman**. Why don't you ask one more question. Then we will move to the next one and I will come back and recognize you.

Mr. **Mottl**. OK. Maybe Dr. Custis could respond to this one.

Can you maintain a system treating service-connected only, then?

Dr. **Custis**. I think a direct answer to the question would be yes, but it would not be an ideal situation. The non-service-connected veteran, in my personal opinion—oftentimes is more in need and more deserving than some of our service-connected beneficiaries.

In my opinion, there are non-service-connected veterans whose combat experience and whose time in service, in some cases, has been greater than some of the service-connected.

In other words, I think the division between the non-service and the service-connected in terms of looking at entitlement is a specious division.

What is more, the elimination of the non-service-connected, should that ever happen, will result in an imbalance of patient mix and such a reduction in quantity of professional experience for certain modalities of care as to lead to an ultimate lowering of quality of care to the service-connected veteran.

To insure the maintenance of quantity and variety of professional experience as an attraction in staff recruitment, the combination of service-connected and non-service-connected patients is highly desirable.

Mr. **Mottl**. Thank you, Dr. Custis. I would appreciate exploring this further on the second round.

The **Chairman**. Mr. Sawyer?

I would note none of the Republicans are here. They are all having conferences against the President's budget.

Mr. **Sawyer**. They are all back in their districts working, probably. Thank you, Mr. Chairman. According to this morning's Post, some are rebelling, I guess.

I see that there is a proposal to eliminate the lesser disability dependency payments, the 10, 20, and 30 percent. As I look at the numbers, that is about 60 percent of those that are receiving it. Am I right on that?

Ms. **Starbuck**. The proposal is to eliminate dependency payments for all vocational rehabilitation trainees, regardless of degree of disability. Approximately 75 percent of all vocational rehabilitation trainees receive payments for dependents.

Mr. **Sawyer**. Why are those with the slight disability in the program at all? Do they need the program if they are only 10 percent?

Ms. **Starbuck**. Yes, sir, they are eligible for the program. The recent change to the vocational rehabilitation program will allow us now and since last October to make an absolute determination of an individual's need for rehabilitation regardless of his degree of disability.

Prior to the passage of that law, however, any veteran having a disability of 10 percent would be eligible for the vocational rehabilitation program.

Mr. **Sawyer**. One other thing is I notice that you were going to indulge in some 2-week furloughs for personnel.

Ms. **Starbuck**. No, sir. The maximum furlough that we anticipated requiring was 5 days during the fiscal year. That was the maximum.

Mr. **Sawyer**. Will that be both central staff and field——

Ms. **Starbuck**. Yes, sir, it would be. If it comes to that, it would be, sir.

Mr. **Sawyer**. You say if it comes to that. Are you not sure if it will come to that?

Ms. **Starbuck**. We expect to have very early in April, about the 10th or 12th, a very good fix on where we are both with respect to available dollars for the balance of the year and our employment picture at that time. So we will be able to make, then, a very solid decision about whether we will furlough one or up to 5 days.

Mr. **Sawyer**. You have not made that decision yet?

Ms. **Starbuck**. No, sir, I have not.

Mr. **Sawyer**. That is for the balance of this fiscal year. Between now and September 30?

Ms. **Starbuck**. That is correct.

Mr. **Sawyer**. Do you have any morale problems as a result of that?

Ms. **Starbuck**. Yes, sir.

Mr. **Sawyer**. You think you have them under control?

Ms. **Starbuck**. Well, it is my sense that in the Department certainly the employees would accept a furlough rather than going through the somewhat painful process of a reduction in force.

Mr. **Sawyer**. Dr. Custis, I would like to ask: Do we have any waiting lists at any of the hospitals involving service-connected disability other than elective-type surgery?

Dr. **Custis**. As regards service-connected, we have no significant waiting lists except for elective surgery. We have waiting lists for nursing home care, particularly for non-service-connected patients.

Mr. **Sawyer**. One other thing I have also been kind of curious about, is there any extra cost connected with having an affiliation with a medical school or what is the pro and con of affiliation and nonaffiliation?

Dr. **Custis**. There is indeed an increased cost in health care delivery for a teaching hospital. I think this is well recognized when one listens to the concern now being voiced by academia in contemplation of the competitive medical model that is incorporated in the proposed consumer choice legislation, currently before Congress.

In an unrestrained competitive market, admittedly the teaching hospital is at a disadvantage to compete. Academia is very concerned about that. We are very much involved with the same problem in our affiliated hospitals. They are in a very true sense teaching hospitals.

There is an increased cost. We feel that it is worth the increase because it is from them that we derive the high quality of staff that we now have in our VA hospitals. We are convinced that the teaching environment is the chief guarantor of quality of care. To have a house staff of curious interns and residents is the best PSRO that can possibly be brought into the medical care environment.

Mr. **Sawyer**. Thank you. I yield back, Mr. Chairman.

The **Chairman**. Thank you, Mr. Sawyer.

The Chair would like to recognize the subcommittee chairman Mr. Edgar, chairman of Education, Training and Employment. Mr. Edgar?

Mr. **Edgar**. Thank you, Mr. Chairman. Mr. Nimmo, I would like to talk just a little bit about the readjustment counseling program. Can you give me an update on expansion of the program, how many locations, how many new personnel, what the total size of the program is to be?

Mr. **Nimmo**. If I may, Mr. Edgar, I would like to defer to the Deputy, Mr. Chuck Hagel, on that question.

Mr. **Hagel**. At the present time we have 112 outreach centers open. By the end of this fiscal year we will have 136. That includes the satellites that also were mandated by Congress.

Mr. **Edgar**. How about the number of personnel?

Mr. **Hagel**. Personnel-wise, I do not have an exact figure. Maybe Dr. Custis does. We are within the FTE allotments that were assigned to us by Congress.

Mr. **Edgar**. Can you give me the size and scope of the contract service program designed to augment the vet center program?

Mr. **Hagel**. Within the next 10 days we will be letting seven contracts in the States of Arkansas, Colorado, and Rhode Island which originally were set up to be the pilot contracting-out projects.

A month ago Dr. Custis, Dr. Earl Brown, and myself agreed that we were not moving fast enough on contracting and so a week ago we sent to the field, to the medical center directors and regional coordinators and the team leaders, protocols which would nationalize and enlarge the scope of contracting-out proposals. We expect to see some of that effort pay off in the next 30 days.

So in effect we will be going national and we are in the process of that now.

Mr. EDGAR. Will these services contracted out be both psychological and vocational, or one and the other?

Mr. HAGEL. Within the guidelines of what the Congress stated in the law that was passed to give us the authority to contract-out, it relates to psychological services. We realize that vocational problems are very much involved for those clients that we see in the vet centers across the country. So we try, obviously, to tailor our vet center programs to the needs of the immediate clientele.

That means when a veteran comes in with a vocational problem, we work with the State employment people, the city employment people, and the resources that are available to us.

Mr. EDGAR. I understood that you selected a new program director for this program; is that correct?

Mr. HAGEL. Yes, sir, Dr. Art Blank, who has been with the Veterans' Administration in New Haven, Conn.

Mr. EDGAR. Can you tell me whether or not with the expanded nature of the services and contracting out and other technical aspects of the program, whether or not his central office staff will be expanded in scope?

Mr. HAGEL. Yes; it will be.

Mr. EDGAR. Can you tell me the size of that expansion?

Mr. HAGEL. We have an immediate expansion of four members and we have talked with Dr. Blank about his personal assessment of the program before we move any further into any kind of an expansion.

Mr. EDGAR. I am sure this committee would be pleased to receive any updates from time to time of the coexpansion of this program and also the scope of the program.

Mr. HAGEL. We will do that, Congressman. I believe last week we sent the members some material on contracting out and some other events that have taken place in the last month.

Mr. EDGAR. Thank you.

Mr. Nimmo, you have recommended eliminating subsistence allowance payments for dependents of veterans taking vocational rehabilitation to overcome their handicap. A veteran taking vocational rehabilitation is generally not employed and needs all of the subsistence allowance obtainable to meet his living expenses.

It is inconceivable that you would recommend reducing the subsistence allowance under this program. What is your justification for your recommendation?

Mr. NIMMO. I defer to Dorothy Starbuck, if I may.

Ms. STARBUCK. Congressman Edgar, this was not a decision that either the Administrator nor I came to with any great feeling of comfort. We were operating under constraints to identify areas in which savings could be accomplished. And our feeling was that in view of the fact that those training under chapter 31 are additionally sustained by the VA and payments made for the payment of tuition, fees, books, supplies, and so forth, that the additional allowance for dependents would be a justifiable cost containment item.

Mr. **Edgar**. I will yield back my time and come back for additional questions. But I would like to go on record in strong opposition to the cost savings that are being achieved on the backs of what I consider a group of veterans who have great needs, particularly in this time of high unemployment.

The **Chairman**. Thank you, Mr. Edgar. The Chair recognizes the gentleman from Mississippi, Mr. Dowdy.

Mr. **Dowdy**. I wanted to ask you about your item in your proposed legislation, dealing with the proposal in 1983 to establish a one-half of 1 percent loan closing fee. Can you tell me, first, has this ever been proposed before? I am new on the committee.

Mr. **Hoffman**. It has not. I believe Ms. Starbuck can respond to that.

Ms. **Starbuck**. Previously, in—following the Korean conflict, there was legislation in which the Veterans' Administration was authorized and did collect a one-half of 1 percent funding fee for veterans seeking guaranteed loans. That funding fee was put into the loan guarantee revolving fund of the agency and was available for payment of expenses of the operation of the program. In 1970, that funding fee was discontinued and at that time, the Veterans' Administration testified in opposition to the discontinuance of the fee.

The funding fee that is proposed now would be one-half of 1 percent of the total amount of a loan.

Mr. **Dowdy**. Would it also go into a loan guarantee revolving fund?

Ms. **Starbuck**. Not as it is presented in the budget.

Mr. **Dowdy**. What is the reasoning and rationale at this particular time for this closing fee?

Ms. **Starbuck**. It is to provide to the loan guarantee revolving fund the amounts of money that are required to support the fund itself. In fiscal year 1981, the loan guarantee revolving fund expended some $550—about $552 million in property acquisition costs, and the payment of claims to lenders. Without additional support either from the direct loan revolving fund or a great sale of our portfolio, the fund stands in some danger in these economic times—with our foreclosures increasing—of being depleted and at such time, then, it would be necessary that we come to the Congress with a request for appropriations to this fund.

Mr. **Dowdy**. That is all I have, Mr. Chairman.

The **Chairman**. Would the gentleman yield? On this one-half of 1 percent, would the veteran—you might have answered it—would the veteran have to put up that $250 at the front end or could that be paid by the lender to the Veterans' Administration and be spread out over the life of the loan?

Ms. **Starbuck**. We were asked to make it an up-front payment, sir.

The **Chairman**. That is where the problem is going to be because the veteran will have increased costs.

Ms. **Starbuck**. It could be a problem for those who are at the lower scale of cost of housing. That is true, Mr. Chairman. Another two—well, let's see, we are now averaging on guaranteed loans, with the price of houses at about $57,000, a funding fee would be $258, the closing cost on that for the veterans to expend would be somewhere in the vicinity of $1,300. So it could have some impact on a person whose income is pretty well stretched by taking on a loan of that size.

The **Chairman**. There is no way it could be included in the loan and spread out over a number of years.

Ms. **Starbuck**. It could, if it were so legislated, Mr. Chairman.

The **Chairman**. We were thinking about looking at it. The service-connected veteran might be excluded from that provision, that was just a thought. Mr. Applegate.

Mr. **Applegate**. Thank you, Mr. Chairman. Thank you very much for being here with your staff. I appreciate all of the input and information. Just a couple of things, all of the good questions, most of them, have already been asked by my predecessors here.

But, what, for all of the departments in the VA, is the reduction of personnel? Is there a total? What is your total reduction? Is there a reduction?

Mr. **Hoffman**. Mr. Applegate, there is a total—net increase for the agency of some 955 average employment. There are some decreases. There is a decrease of 218 average employment in the Department of Veterans' Benefits, for example. But overall, there is an increase in this budget.

Mr. **Applegate**. Overall?

Mr. **Hoffman**. A 955 net increase, a 1,167 increase in the Department of Medicine and Surgery and as I indicated, a reduction of 218 in the Department of Veterans' Benefits.

Mr. **Applegate**. I am just sort of reviewing some of this. I had noted that the administration had made recommendations to freeze a 1-year cost for all entitlement programs. Is that—that is not going to include the Veterans' Administration?

Mr. **Hoffman**. At this point, that is not included in this budget. I do not know anything officially about it.

Mr. **Applegate**. OK.

You had expressed a concern, I think Mr. Nimmo, or one of you had expressed a concern for the increased number that will soon be coming in response to Mr. Mottl's question, some 11 or 12 billion World War II and Korean veterans, about 11 or 12 million will be coming available. And that—I guess it is a concern as to whether or not we are going to be able to give them free medical benefits and whether or not there are going to be enough beds.

I see where your construction program appears to show that there is going to be some continued medical construction, but I had also seen where there was to be a reduction of or elimination of a $2.5 million construction program for hospitals. Is that true or not?

Mr. **Nimmo**. No, Mr. Applegate, that is not true. We have in the 5-year medical facility construction plan something over $5 million worth of projects. It is clear that in today's economic environment we are not going to have $5.7 billion to spend over that 5-year period. We will have spent about a billion in 1982 or 1983.

But further than that, Senator Garn, of the Senate Subcommittee for HUD and Independent Agencies has asked us to present to that subcommitee the criteria by which we determine what kinds of medical facilities we build and where we build them.

That request was made back in April of last year.

We have been unable to present to Senator Garn the kind of criteria that he is asking for, that is objective dependable criteria on which to base those facilities. So we decided it was perhaps time that we took a look at the whole building program, both from the criteria aspect and from the aspect of whether or not we were building the right facilities in the right places.

A number of our facilities planned in that 5-year medical facility construction plan were reviewed by the IG and subsequently withdrawn as unneeded.

Further than that, we had a plan a couple of years ago under which we were going to build a domiciliary care facility in each of our 28 medical districts which seemed like a good decision at the time. But if you look at the demographics of our 28 medical districts, 4 of them are increasing in veteran population and 24 are decreasing. In the State of Florida, the medical district veteran population is expected to increase by more than 50 percent in the next 10 years.

So I think as part of all this we have to look at the kind of facilities we are building, where we are building them, the criteria on which we base them and, as one further step, the extent to which we overbuild.

That is to say, for example, for nursing home care units, it cost the VA in recent years about $50,000 per bed for a nursing care home unit. In the private sector it costs about $20,000. There is some evidence to suggest that in many of our facilities we are overdesigning, overbuilding, and overlandscaping. I think we need to take a whole new look at what we are building, where we are building it and why we are building it.

Mr. APPLEGATE. Thank you.

The CHAIRMAN. Thank you, Mr. Applegate. Let me follow up very briefly. The Chair is not going to take any time on questions except in a situation like this.

I think what has this committee concerned, Mr. Nimmo, is that this information really came out through an Associated Press story[1] that you planned to take a good hard look at $2.7 billion in construction projects. The committee received no type of information or any reports from you on this matter. The committee was just concerned, that it was not told this before it got out in the press release. Do you have any comment on that?

Mr. NIMMO. I apologize, Mr. Chairman, if the information was not made available to the committee. I was certainly under the impression that it had been.

The CHAIRMAN. My staff informs me that we got a copy of the press release but we did not—it did not say anything about $2.7 billion. That is something we can talk about later. The Chair would like to recognize the gentleman from Arizona, Mr. Stump.

Mr. STUMP. I have no questions.

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[1] See p. 172.

The **CHAIRMAN**. The gentleman from Texas, also a subcommittee chairman, Mr. Leath.

Mr. **LEATH**. Thank you, Mr. Chairman.

Ms. Starbuck, I did not understand or did not catch your answer to Mr. Dowdy when he asked about where these closing fees or user fees on the home loan would go to. Those go directly back into the loan funds?

Ms. **STARBUCK**. As it is presented, Mr. Leath, they would go into the Treasury and be credited to the Veterans' Administration, however the funds would not be made available to the Veterans' Administration.

Mr. **LEATH**. Why was that? As I understood your answer before they did go back in the revolving fund?

Ms. **STARBUCK**. This was the decision of the Office of Management and Budget that the moneys go into the Treasury.

Mr. **LEATH**. Would the VA support legislation requiring these proceeds to go—to be credited to the loan guarantee fund?

Ms. **STARBUCK**. Yes, we would.

Mr. **LEATH**. Would you support legislation to——

Ms. **STARBUCK**. I think we would have to measure the impact on the revolving fund of excluding veterans who have had wartime service as opposed to those who are in the all-volunteer services. That is not an unattractive proposition, however, Mr. Leath.

Mr. **LEATH**. Would you support the legislation to exempt service-connected veterans from this provision?

Ms. **STARBUCK**. That, too, is not unattractive.

Mr. **LEATH**. We got her partially on the record.

Thank you very much. I have no further questions.

The **CHAIRMAN**. Thank you, Chairman Leath.

The gentleman from South Dakota, Mr. Daschle?

Mr. **DASCHLE**. Thank you, Mr. Chairman.

Mr. Nimmo, and to all of your colleagues, first I want to commend you for the implementation of the language on agent orange. I have followed that very closely and I am impressed with what you have done and with the way in which this whole process is unfolding. I am grateful to you for that.

I would like to go back to a question Mr. Sawyer first raised, because it concerns me a great deal. That is in regard to the rationale that you are using now to advocate the termination of the dependency allowance for service-connected veterans rated under 50 percent. How many people—we talk about 60 percent of the people now getting such a benefit—are affected? How many are we actually talking about here in numbers?

Ms. **STARBUCK**. You are speaking now of the vocational rehabilitation program?

Mr. **DASCHLE**. That is correct.

Ms. **STARBUCK**. We estimate that in 1983 we will have a total of 30,000, 40,000 trainees in the program.

Mr. **DASCHLE**. What about outside the program?

Ms. **STARBUCK**. You mean disabled veterans?

Mr. **DASCHLE**. That is right.

Ms. **STARBUCK**. Well, we have—we are paying compensation to roughly 2 million. So we have a very small population here in the vocational rehabilitation program.

Mr. **Daschle**. Let me understand. Maybe I am not totally cognizant of who you are addressing here. My understanding is that any dependent getting benefits now will be terminated if that disability, service-connected disability rating is 50 percent or less.

Mr. **Murphy**. If I can interject, there are two proposals. I think they are becoming confused here.

Mr. **Daschle**. Let's clarify it.

Mr. **Murphy**. One is in the compensation area, to remove or delete the dependency allowance presently paid to veterans who have a 30- to 40-percent disability.

Mr. **Daschle**. OK. That is the one that right now you are projecting a savings of $138 million?

Ms. **Starbuck**. $135.3, and that affects 320,000 veterans.

Mr. **Daschle**. 300—how many?

Ms. **Starbuck**. 320,000.

Mr. **Daschle**. You are going to knock off 320,000 people; do I understand that right?

Ms. **Starbuck**. We are going to propose that the dependency allowance paid to these individuals not be paid.

Mr. **Daschle**. Tell me what rationale you have come up with to eliminate that many people. What is it? I have noticed with some interest—I guess we have a very short period of time, so my concern here is that you are really cutting into the heart of the whole system by eliminating that program. Just speaking for myself, I just can't imagine that we are going to allow that to happen.

If I were you, I would go back to the drawing board and find some other way to save. Did you tell us you were going to add 1,200 people this year?

Mr. **Hoffman**. 955 is the net increase.

Mr. **Daschle**. You are adding 955 people. At what cost, do you know?

Mr. **Hoffman**. I would say approximately $20 million.

Mr. **Daschle**. $20 million. How is it that we can add people, add additional people in Federal service when at the same time we are eliminating benefits to 320,000 veterans? To me that doesn't seem like a very strong sense of priorities. How would you rationalize that?

Mr. **Hoffman**. First of all, the increase is in the medical program, not anywhere else of any substance.

Mr. **Daschle**. The increase is in the Veterans' Administration budget. I don't care where you find it.

Ms. **Starbuck**. Mr. Daschle, the additional benefits for dependents of those who are rated 30 and 40 percent was legislated in 1978, and this has not been a long continuing process. I believe, if memory serves me correctly, that at that time the initial proposal had been that those at the 40-percent rate be provided dependency allowance. But as the bill was finally enacted, the 30 percent, those rated 30 percent were included in the legislation.

Mr. **Daschle**. My time is up.

Ms. **Starbuck**. Those who are at the 30- and 40-percent rate, Mr. Daschle, are not as dependent upon their compensation as a livelihood as those who are more seriously disabled are. And with the requests that have been given to us for cost containment we felt that this would not be a damaging—you know—a vital damage to any veteran. It represents about $35 a month.

Mr. Daschle. My time is up, but I would sure like to get back to this in my second round.

The **Chairman.** Thank you.

Austin Murphy was here.

Mr. Won Pat?

Mr. Won Pat. Thank you, Mr. Chairman. I want to apologize for coming late. I had to go to another meeting.

I am not, of course, fully cognizant with what has been going on. But as I read hurriedly the testimony and the presentation of our Administrator of the VA, I think it is a very good statement. I am, of course, concerned about certain matters that affect my district. It looks like I am interested in purely parochial interests.

What is the minimum disability that is compensated?

Ms. Starbuck. The minimum disability, Mr. Won Pat, is at 10 percent.

Mr. Won Pat. Ten percent.

Ms. Starbuck. Yes. And it runs by 10 points up to 100 percent.

Mr. Won Pat. Now on Guam we do not have, of course, a clinic, nor a veterans hospital. But we do have what is called the naval hospital over there. Am I to understand that a certain number of beds are made available to the veterans? Is that correct?

Ms. Starbuck. That is my understanding, yes, Mr. Won Pat.

Dr. Custis?

Dr. Custis. That is right. I think there is an average census of five or six patients at any given time in beds for veterans.

Mr. Won Pat. The reason I ask that is there have been some complaints made by some of the veterans, some veterans are turned away. So they have to go to the Guam Memorial Hospital instead.

Now, in addition to these services for which, of course, I want to thank the Veterans' Administration, particularly the opening of the veterans' office on Guam recently. Mr. Nimmo, I want to publicly thank you for that, for recognizing the needs of our veterans on Guam. Because, as you know, right after the war, since then, there has been an increasing number of Guamanian veterans—Guamanians who have been in the service.

But many, with the exception of those who happen to leave Guam and stay abroad, are able to enjoy some of the benefits provided by the Veterans' Administration. But those living in Guam were not able to because they don't even know what veterans benefits are available to them, and besides that the services were not available until just recently.

I know that your office in Hawaii has been able to send every 6 months somebody down there for a few days, a week or so. That is about the extent of the services. So the establishment of the office on Guam is a great stride, a great accomplishment I believe.

As you know, Guamanians traditionally are a patriotic people. Today, in this enlistment, we have no problem enlisting people on Guam. I think the recruiters are usually able to recruit their full quota.

Now another matter that is of interest to me is a cemetery. What is your plan regarding the establishment of a cemetery in Guam?

Mr. **Nimmo**. Mr. Won Pat, I think that the veteran population in Guam would not justify the establishment of a veterans' national cemetery out there.

We have, as you know, adopted the concept of regional cemeteries, and we are looking toward the expansion of the cemetery at Hawaii to accommodate additional veterans there. But I think given the small population of veterans in Guam that it would not be likely that we could go to the expense of a cemetery for that small population.

Mr. **Won Pat**. As you know, sir, when somebody dies and you have to transport them to Hawaii, that is a lot of money. I don't think anybody could afford it.

Mr. **Nimmo**. Well, we have a burial allowance, as you know, for eligible veterans. I understand the problem you have out there. It is a difficult one. I wish there was a better way to deal with it.

Mr. **Won Pat**. Sir, the military has a cemetery out there. Can the VA take over that, and work it out, and also have it for veterans?

Mr. **Nimmo**. We will certainly explore the possibility of some kind of joint-use arrangement by which we could accommodate veterans out there.

Mr. **Won Pat**. That is what I was thinking about. I heard, of course, that there is a plan to allocate—authorize some money for that.

Mr. **Nimmo**. We will certainly explore that possibility, Mr. Won Pat.

Mr. **Won Pat**. I certainly appreciate any plan along that line. Thank you, sir.

Thank you, Mr. Chairman.

The **Chairman**. Thank you, Mr. Won Pat.

Mr. Napier from South Carolina?

Mr. **Napier**. Thank you very much, Mr. Chairman.

Mr. Administrator and members of your staff, thank you for coming over here and for being candid and forthright as you have. I notice in the prepared testimony from the service organizations the attitude is that they can live with what you have done with some minor changes, and they commend you for going to battle with OMB and presenting the case. I do the same.

However, we never get all we want. I would like to talk about one area where I have some concerns, and I am sure you have some concerns. That is the time frame on casework, when someone presents a claim until that claim has been presented, in the actual dollars are provided to that family.

Can you tell me the current time element in the process of going before the Board of Veterans Appeals now, please, sir?

Mr. **Nimmo**. I would defer, if I may, Mr. Napier, to the chairman of the Board of Veterans Appeals. I think he is here.

He is not here?

Ms. **Starbuck**. Mr. Napier, of course before the Board of Veterans Appeals ever gets a case it would be processed in one of our regional offices where the initial decision process takes place. We are running, for example, on a case in which a veteran claims a service-connected disability of between 120 and 130 days to make that decision.

Mr. **Napier**. That is at the regional level?

Ms. **Starbuck**. That is regional level, yes, sir. One of the basic reasons for that length of time is that we must have the veteran examined at a VA hospital and also obtain from the service departments both his military and medical records.

Mr. **Napier**. Once you have made an adverse decision at the regional level and it is appealed to the Board of Veterans Appeals, about how long does that take?

Ms. **Starbuck**. I am sorry.

Mr. **Napier**. Provide that for the record.

Ms. **Starbuck**. Yes.

[The information follows:]

The latest figures we have for appeals that have been decided by the BVA are for the quarter ending December 31, 1981:

Appellate stage:	*Days*
From receipt of notice of disagreement by the regional office to issuance of a statement of the case	66
From issuance of a statement of the case to receipt of a substantive appeal to the BVA (time controlled by appellant)	54
From receipt of a substantive appeal in a regional office to receipt of the appeal at the BVA	[1] 203
At the BVA	100
Total response time	423

[1] Approximately 113 of these days are spent awaiting callup by the BVA.

Mr. **Napier**. One other thing for the record, if you could go back and look at the amounts of times in the last 10 years and tell us whether you think there is enough money in the budget for the Board of Veterans Appeals and whether that caseload ought to be lightened a little bit. I would leave that to you to provide for the record.

[The information follows:]

Board of Veterans Appeals 1983 Funding

The appeals workload of the Veterans Administration has been quite volatile over the past 10 to 12 years. From a relatively low level of notices of disagreement (NOD) filed in 1970—42,898—there was an increase to 54,189 in 1973. By 1974 the number dropped to 43,205 and appeared to be headed for a continued drop. Then, suddenly, in the spring of 1975 there was a sharp upturn. This upturn continued through 1978 when level of NOD's reached 66,464. There followed a slackening to 61,097 in 1979—and another upturn. In 1980 the number of NOD's reached 63,700 and shot up to 68,183 in 1981. The rate for the first quarter of fiscal year 1982 is 7 percent higher than the corresponding period in fiscal year 1981.

The BVA has tried to react to changes in the appeals workload. Following the decline in 1974, the Board voluntarily cut back its complement of personnel and reduced the Board from 14 to 13 sections. In very short order we were forced to seek added people and funds and went back to 14 sections.

We held our own quite well until about 1977. Since then the number of new appeals requiring resolution by the BVA has continually increased. Since there is no way of controlling the veterans' statutory right to appeal, the answer to the appeals workload appears to be to decide more appeals. The number of board sections is now 16 and management techniques are being undertaken to reduce the number of cases pending.

Mr. **Napier**. The second thing I would like to look at is the budget picture for service-connected veterans. One of the statements by the DAV which will be forthcoming says that you have placed a disproportionate share upon the service-connected disabled veterans. Some $65 million of the $233 million in cost savings would impact on service-connected disabled veterans. I think it should not impact on service-connected disabled veterans.

Can you comment on that, Mr. Administrator? Ms. Starbuck?

Ms. **Starbuck**. The request for cost containment I think could not escape some consideration of the service-connected veteran. Were we to have confined cost-savings to the non-service-connected veterans, that could have been possible, it would have impacted disastrously on both the pension and the education programs to a rather heavy deprivation in both areas.

The pension program, because of the enactment of Public Law 588, is a program in which we are expecting a continuing decline in those eligible for pension.

Mr. **Napier**. Could you also provide for the record, Ms. Starbuck, what those other considerations would have been if you had not followed the course of action you followed?

Ms. **Starbuck**. Be happy to.

[The information follows:]

We reviewed all of the programs to determine what areas could be adjusted without doing great harm to the veteran. The pension program is one that supports those at the poverty level. To adjust it would require changing the annual rate increases which are currently tied to the Social Security Administration's cost-of-living adjustment. Proposals do exist before the Congress to review the whole automatic cost-of-living adjustment system.

In our review of the other programs, we found that dependency allowances were an area where payments, for example, were being made where no dependency existed, i.e. where we paid a dependency allowance to the end of the year even though the dependent was lost during the year. We also in recent years extended dependency payments to less than severely disabled veterans, those whose disabilities did not to such a great extent affect their earning capacity. The compensation payment is designed to cover the economic loss due to the disability. The dependency allowance is just an additional amount added to the basic compensation rate. In this area we felt that the effect on the veteran would be minor.

Mr. **Napier**. Thank you very much. Those are all the questions I have.

The **Chairman**. To follow-up on one question for the record, Ms. Starbuck, do you have a comparison on how long it takes the VA to handle or process a pension or compensation claim in comparison with a social security disability claim?

Ms. **Starbuck**. I don't have, but I could get it for you, Mr. Chairman, and provide it for the record. I don't have a comparison present.

[The following was subsequently submitted for the record:]

The most recent figures available are those for the month of January, 1982. During that month the national average for timeliness of processing disability compensation claims was 127 days and the national average for disability pension claims was 95 days. The national average for processing timeliness of personal disability claims by the Social Security Administration was 71 days in January, 1982. It must be noted, however, that VA processing time covers the period from date of claim to date of check issuance or denial notification. The Social Security processing time covers the period from date of claim to date of certification for payment, not actual payment. Eligibility for Social Security disability payments requires total disability for a period of six months. If a Social Security claimant was totally disabled for six months prior to filing a claim, check issuance would occur in approximately 74 days. However, if that same claimant applied during the first month of total disability, certification for payment could be made in approximately 71 days, but actual check issuance could not begin until six months after total disability had occurred.

The **Chairman**. I thought in years past that the Veterans' Administration handled these claims faster than the Social Security.

Ms. **Starbuck**. I would say that we still do, but as to the number of days difference between the two agencies I just don't know, Congressman.

The **Chairman**. Does anyone have that answer in the VA? Well, it is something we deal with all the time as members. It would be of interest.

Mr. **Napier**. Mr. Chairman, I wonder if it would be possible when they provide that information if they could provide us something, say, 10 years ago, a comparison, and something at the present time, just to see how efficiency has increased over the past 10 years.

The **Chairman**. That is an excellent suggestion. I would like for the staff when they get this information to pass it on to the individual members. A lot of time, for the record, the members never do get to see it. I think it would be of importance to us.

[The following was subsequently submitted for the record:]

The earliest available figures on timeliness of claims processing are those for the month of January, 1973. For that month the national average for timeliness of processing disability compensation claims was 181 days, and the national average for disability pension claims was 126 days. This information was thought to be unreliable at the time, however, because of errors in computer programing. Tfhe report format was revised and is now available as the COIN CP-6 report. The oldest report in this format which is maintained in Central Office is for the month of October, 1980. That report shows a national average for timeliness of processing compensation claims of 136 days and a national average for pension claims of 101 days. The most current figures available are for January, 1982, showing national averages of 127 days for compensation claims and 95 days for pension claims.

The **Chairman**. Mrs. Heckler?

Mrs. **Heckler**. Thank you, Mr. Chairman.

It has been my experience that the Veterans' Administration has always responded much more quickly than the SSA. I would say going back over the last 16 years in Congress that has been a fairly typical occurrence. What the time lag is I don't know.

I would like to ask unanimous consent to submit some questions for the record, because we are limited in time today and I know the panel has many things to do as well.

The **Chairman**. Without objection.

Mrs. **Heckler**. I want to say, Mr. Nimmo, that I commiserate with you because we are all balancing very difficult questions and the equities of various segments of different cases weigh heavily on our minds and hearts at this time. I want to commend you and Dr. Custis on the sensitivity you have shown to the agent orange victims and the movement you have already taken in the VA, which is the first positive steps dealing with that problem, and long overdue.

At the same time one of the issues that is very, very bothersome in the Boston area, and I would suspect maybe in other areas, is the question of the burial benefits for truly impoverished veterans. We have one veteran in a morgue in Boston with absolutely no family, no funds, with the repeal of the veterans' burial provisions.

What are we going to do in terms of the totally impoverished veterans who does deserve to be buried and has the right to be buried in a veterans' cemetery?

I don't know if the issue has been brought to you by others. I don't imagine that they are vast numbers, but they are really worthy in the sense that veterans who have served the country should not literally disintegrate in the morgue.

Are there others who have raised the question? Is there any potential solution that you can think of, that you are considering in the agency?

Mr. NIMMO. The question has been raised, particularly, by Supervisor Hahn in Los Angeles. The numbers nationwide are very, very small. How we try to address that, I am not sure where wisdom lies, because it is such a small number. We sometimes go to an inordinate amount of expense just to try to identify those people. Just to find out if they are veterans is tremendously expensive.

I feel awkward trying to respond to your question because there are so few. The expense of dealing with that few seems to me to be kind of out of proportion to the problem. I share your concern that no person who has served his country ought to lie in a morgue uncared for, unidentified. It is a problem that we will continue to struggle with. I hope we find a satisfactory solution.

Mrs. HECKLER. I would hope we can find a solution, because, frankly, I think it outrages the conscience of the veterans' organizations and rightfully so. Where we have veterans' cemeteries, in the relatively small number of cases where there is totally impoverished veterans, so identified, and a veterans' cemetery, it would seem that there must be some way to transport that body to an appropriate resting place.

It seems totally inappropriate in a country that is committed to veterans, the recognition of the veteran, to allow that kind of a disintegration. So I would hope that you would really look for a discretionary way because the other answers would be a mandatory restitution of the benefits for everyone, whether they need it or not, and so forth. Then you get back into the situation in which we were placed earlier where many who did not need the veterans' burial benefits received it, et cetera. Sometimes dealing with the problems in this case could avoid the excesses or the overuse of limited dollars in unnecessary cases.

A secondary area of concern of mine is the GRECC program. Simply because I know that with the restrictions on the budget there is a question of the level of medical care. But there also has to be the question of the caliber of medical care. And in the GRECC program, the one in Boston at the Rogers Hospital, we have an excellent caliber, a waiting list of those who are elderly and fit within the guidelines and can receive what is now becoming known as the very best care for the elderly in a GRECC center.

Now this House and this Congress passed Public Law 96-330, and it established the expansion of the GRECC program. It was a bill that was supported and advanced by all the major veterans' organizations in the country. It was a bill that was designed to deal with the vast numbers of older veterans and designed also to keep them out of the hospital in terms of the breakthroughs that could be determined and could be resolved by giving them some kind of medical advice that would keep them at home as they aged and not make them institutional victims.

I wonder what the current standing of the GRECC program is and what you foresee, because I am very, very disappointed at the lack of emphasis on what can be a problem solving approach for medical care for the older veteran.

Dr. CUSTIS. As you know, we share your high regard for the GRECC program. We, in this year's budget, expect to utilize the resources identified there for extra FTEE and dollars to bring up to full complement the staffing in the eight GRECC's that we already have. There are also 36 FTEE's to increase the training programs related to those GRECC's, team training for elderly patient care.

We have sought, and on a priority basis lost in the budget processes the last 2 years, resources to comply with this committee's desire to actually increase the numbers of GRECC's. We hope, still, that that may be possible in the years to come.

I am obliged to say, however, that the GRECC's, as highly as we regard them and the fine work they do, are not the only place that we are caring for the elderly. Thirty percent of all of our patients throughout the system are over the age of 65. We have, in the hospital-based home care program, some 30 or 40 teams in areas all over the United States. They are not confined to the GRECC program.

The hospice program is not confined to Los Angeles or to GRECC's. There is hospice programing in the majority of our hospitals. But we do appreciate your interest and your effort, Mrs. Heckler, and we will continue to plan for expansion of the number of GRECC's.

Mrs. HECKLER. I am encouraged to hear you say that. I do know there are other programs that deal with the older veteran. However, I think that the focus on geriatric medicine and the GRECC program is almost second to none in terms of Government response to the aging of our whole population, that this affects the veteran primarily because of the vast numbers but can affect all others. And the accomplishment of assembling a team focusing on geriatric medicine, which the GRECC does, provides the vehicle for excellent medical ~~care for the~~ elderly, not really caring for the older veteran.

But these breakthroughs, I see them just by virtue of the programs that I have seen in Boston, these breakthroughs can really benefit all of the older veterans and perhaps avoid hospital care or institutional care.

Now am I clear that you feel that the current budget——

The CHAIRMAN. I hate to interrupt the gentlelady, but before you came in we said we would give members 5 minutes, and after every member the Chair would recognize anybody for 5 minutes again. If you have no objection.

Mrs. HECKLER. I would certainly comply.

The CHAIRMAN. Thank you.

To comment further on your question and concern about veterans not being buried as a result of the cuts we made in the burial programs, we sent an investigator out there from this committee and we found out actually from Los Angeles County it would be more like four bodies instead of that large number that was reported. And we feel like Los Angeles County has a little responsibility to some of these veterans who are probably eligible for pensions, non-service-connecteds or for service-connecteds, and they could probably do a better job getting these people on these veterans rolls and taking care of them.

But we are on top of it. It wasn't as bad as it sounded in Los Angeles County, and they have backed off their first statement about the large numbers.

Mrs. HECKLER. I will say that I am very concerned about the very few, I think there are only four in the Boston area and they seem to have been well identified as veterans and they are still in the morgue, and it is a major concern.

The CHAIRMAN. We would hope that in some of these cases that the Veterans' Administration would help us out. If there are just a few cases involved that we are talking about——

Ms. STARBUCK. Mrs. Heckler, have the four been identified by the FBI as veterans?

Mrs. HECKLER. This is my information. I would want to recheck it.

Ms. STARBUCK. Normally when the FBI comes back and says they have fingerprints identifying this individual as an entry into military service, then the coroner would come to the Veterans' Administration to ask us to give his service, if he was first of all either on our compensation or pension rolls. And if not, then, of course at this time he would not be eligible for payment of the burial allowance.

What we ran across in California are individuals who had military service but whose service was during peacetime or who were discharged with less than honorable discharges and are therefore not eligible. So that is a determination that we do make within the Veterans' Administration.

I can inquire about the four cases in Boston if you wish.

Mrs. HECKLER. I would be glad to supply you with further facts.

Ms. STARBUCK. Thank you.

The CHAIRMAN. Thank you.

The Chair would like to point out that we do have four other witnesses, but certainly it is very important that we get all the questions asked of the Veterans' Administration, who do administer these programs passed by the Congress. The Chair won't go around individually, but he will recognize Mr. Mottl, who has requested it, for 5 minutes.

Mr. MOTTL. This is unlimited this time, isn't it?

The CHAIRMAN. OK, all right. All right.

Mr. MOTTL. Thank you.

The CHAIRMAN. You promised me you are not going back to Ohio after you ask your questions.

Mr. MOTTL. I give you my word and I will keep it under 2 hours. Thank you.

Thank you, Mr. Chairman.

Mr. Nimmo, if you recall my first line of question was with regard to our senior citizens and the veterans programs. In the decade and a half or two decades, how many hospital beds in the Veterans' Administration system have been closed?

Dr. CUSTIS. 20,000.

Mr. MOTTL. Is that in the last two decades? Isn't it more than that?

Dr. CUSTIS. I think in the last 15 years it was 20,000. The alltime high for operating beds was 120,000, which is 40,000 more than we currently operate. This is VA hospital beds, not including VA nursing home and domiciliaries.

Mr. MOTTL. What happened to these beds?

Dr. CUSTIS. Historically there were two major phenomena that came about; namely, the more effective treatment for TB and the more effective treatment for psychiatric problems. The drugs, the antitubercular and psychotropic drugs, parenthetically, were developed in the VA system. I think those two developments probably more than anything else resulted in a declining need for beds.

However, in more recent years, the last 15 years, the reduction has been driven more than anything else by the fire, safety and privacy criteria that have been established. As a matter of fact, almost exclusively since 1975–76, our bed loss has been traceable to correction of fire, safety, and privacy deficiencies.

Mr. MOTTL. Could these beds have been used, though, to treat our elderly?

Dr. CUSTIS. I am sorry?

Mr. MOTTL. Could these closed beds have been used now to treat our elderly or in the next few years?

Dr. CUSTIS. During this period of reduction our total workload in patients treated has doubled, due to the better staffing, the increased turnover, the shortening of patient stay. On the subject of beds, if I may just make a couple of remarks: An empty bed is not necessarily a surplus bed. Optional bed ulitization is 85 percent. We must also talk about empty beds in the private sector. The same phenomena has been operating in the private sector as has been experienced in the Veterans' Administration; that is increased turnover, reduction of length of stay, optional modalities for care, more ambulatory care, more outpatient surgery and so forth, all have been involved in an effort to reduce the cost escalation.

In most cases, however, unfortunately, the private sector hasn't closed their excess beds. The excess beds in Minneapolis are duplicated in almost every city in the United States. In contrast to which the VA has, indeed, percentagewise, done a much better job of closing excess beds.

To get back to your question, Mr. Mottl, I think that we have no need for more beds now in terms of demand. We have a high acceptance rate of 90 percent of all applications. Those that are not accomodated are usually due to a finding of nonentitlement. Our crunch, to the extent that we are not providing care for all who present themselves, has much more to do with outpatient care than inpatient care.

Mr. MOTTL. 800 beds were closed last year due to nurse shortages; is that correct?

Dr. CUSTIS. I can only guess; but the last figure I had came to me about a month ago. There are still some 750 beds closed due to, primarily, nurse shortage, but also in some cases other reasons such as construction.

Mr. MOTTL. The vast majority of veterans age 65 or older also have eligibility for care under medicare. Do you believe that those veterans residing outside a reasonable commuting distance from a

VA medical facility would travel long distances from their homes and families, passing several community hospitals en route just to get what you would describe as free medical care from the Veterans' Administration?

Mr. NIMMO. Well, that would call for a speculative answer, Congressman Mottl.

I think if premium rates on medicare continue to go up that becomes a very real possibility. To what extent it occurs, I could not begin to say.

Mr. MOTTL. Mr. Nimmo, do you feel as Administrator of Veterans' Affairs, that the American people should now renege on this commitment for hospital care for the elderly veteran?

Mr. NIMMO. I think the Congress has the responsibility, as it always does, to look at Veterans' Administration, as for every other Federal agency, in terms of the economic and social environment in which we find ourselves.

We frequently hear that expression of reneging on a promise. I don't recall any one of the three times that I went into the service that anybody promised me employment benefits, or health care benefits, or anything else. All they promised me was that I would get issued everything I needed, and they didn't always do that.

No; I think we have an absolute responsibility for the Veterans' Administration, as with every other Federal agency, to look at the economic and social environment in which we find ourselves and occasionally reassess previous legislation. That is done in this Congress, it is done in every State legislature, and I think it will always be that way—and properly so.

Mr. MOTTL. Should the American people now decide that they cannot afford to live up to the longstanding commitments to veterans, what effect would this have on those we ask to serve in the Armed Forces in the future, particularly those we would have to call on in the case of a war or national emergency?

Mr. NIMMO. I would respond by saying, Mr. Mottl, that the individual who suffers by reason of his service, whether injury, illness, or other condition, is absolutely entitled to be generously dealt with, ought to be generously dealt with by the public. I am not at all sure that the individual whose service entails only an inconvenience is entitled to a number of the entitlements which are now in the law.

It has long been my conviction, and still is, that public service is the price of citizenship, that people have an obligation to serve their country, and are not necessarily entitled thereby to a permanent social welfare system. The one who suffers by reason of this service, whether by injury, illness, or other condition, is entitled to be dealt with in the most generous manner that the society can provide. I don't think that is necessarily true just because of inconvenience.

Mr. MOTTL. Well, I think Dr. Custis, it was his personal view, would respectfully disagree and he cited some examples that this is a spurious distinction in many cases, service-connected and non-service-connected. Don't you think his argument has some merit?

Mr. NIMMO. Well, inevitably, of course, as the veteran population ages there is going to be a declining requirement for acute care hospital beds. There is going to be a declining opportunity, if you will, for either the service-connected or the non-service-connected condition to contribute to medical research by their treatment. So that time is going to come one way or another simply by the passage of time.

Ten years from now, which is not very far away, the Vietnam era veterans will be the largest group of veterans in the country. So maybe we do some harm to the advancement of medical science if we don't allow all of the non-service-connected veterans in our hospitals, but that time is going to come in any event.

Mr. MOTTL. I would like to comment on your and Mr. Stockman's less than strong commitment to the elderly veteran. This is demonstrated by the tremendous increase provided in the fiscal year 1983 budget request of 3 FTEE and $216,000 for the Geriatric Research, Education and Clinical Centers. Public Law 96-330 authorized 15 such centers, but this budget permits only one of the existing 8 such centers to be staffed comparably to the other 7.

When will we see action to establish additional GRECC's within the Veterans' Administration?

Mr. NIMMO. My recollection, Mr. Mottl, is that all we did in the budget request was to complete the staffing of the existing eight GRECC's, and we didn't have any resources for additional GRECC's in this budget. That was a decision primarily made by me, simply trying to sort out the priorities and trying to arrive at a budget that not only would protect the health care and other benefits for veterans but at the same time be reasonable in terms of the economic environment in which we find ourselves.

Mr. MOTTL. I would like to ask a few questions, if I may, on construction. Mr. Nimmo, we are getting a large volume of inquiries as a result of your news release on "reexamination of the Veterans' Administration's 5-year medical facility construction program" and an Associated Press release based on an interview with you on Friday, February 19, 1982.

In passing Public Law 96-22 in 1979, the Congress attempted to address the criticisms you have recently voiced. This law requires the Administrator to annually provide the Congress a plan, including his priorities for the construction, replacement or alteration of medical facilities. The language of the law states that the plan and priority listing shall be those that in the judgment of the Administrator are most needed.

I believe this provision of law makes political considerations in the VA medical construction most difficult. Are you implying by your statements in the press that this procedure has not always accomplished its purpose?

Mr. NIMMO. I think that is manifestly true, Mr. Mottl.

Mr. MOTTL. When you pose this question, "Does it make new sense to spend $280 million for a replacement VA hospital in Minneapolis where you've got 2,000 empty beds already there and where you've got a declining veteran population?" did you consider that all of these questions were posed before this replacement was authorized by the Congress?

Mr. NIMMO. Well, I guess I would have to say, in candor, that had I realized that at the time, all of the past history of Minneapolis and the emotion involved there, I would have probably used a different example, if I used any example at all. But I do think that—taken in the abstract, it is an important question that has to be raised.

Mr. **Edgar**. Will the gentleman yield?

In answer to an earlier question I think it was stated that you are doing a review of all the medical needs of the Nation and some demographics; is that not correct?

Mr. **Nimmo**. That is correct.

Mr. **Edgar**. I wonder if in your analysis you are taking into account the replacement and rehabilitation needs of the system? Because I guess I am hearing from some statements that have been made public, and also some rumors behind the scenes, that as you do your analysis you may come up with a shopping list of new hospitals to be built in areas like Florida, Texas, California, where population has expanded at the expense of hospitals in Philadelphia, New York, Boston, Chicago, Pittsburgh, some of the older industrial cities in the Northeast that have lost population but in fact have hospitals that may be 30 years old or older.

I wonder if you are going to calculate in your analysis the need for rehabilitation and replacement at the same time you are looking at hospital new starts?

Mr. **Nimmo**. Yes, we will, indeed. We will continue to look at the entire veteran population and certainly there may be some acute care facilities that can be converted to nursing home centers or other mission assignments, and I will rely on Dr. Custis for those recommendations.

But at the same time we will continue to maintain acute care facilities in all of those locations where it is dictated by the needs of the veteran population.

Mr. **Edgar**. If you would yield for a further question in this area.

We are facing at this point in our history $100 billion interest payments on our national debt and $100 billion projected in our deficit for fiscal year 1983, and projected deficits for 1984 and beyond are also in that neighborhood.

As I look at our construction dollars available to us, short term, look at the number of hospitals we have built or replaced in the last 5 years, look at the replacement and construction of hospitals in the next 10 years, it looks to me, from where I sit, as though there will be inadequate funds to just maintain the existing health care system that veterans are presently used to receiving, and that unless we find some imaginative ways of funding new starts and replacement of existing hospitals that we will not, in a timely fashion—that is, over the next 10 years—be able to keep up with the deterioration and replacement needs as well as the new start needs that exist in the nation.

Do you share that frustration and concern?

Mr. **Nimmo**. I hope what you are saying does not turn out to be, Mr. Edgar. I do share some frustration, but I think part of our problem is the overdesigning and overbuilding that I mentioned earlier. To compound my error, to cite Minneapolis, with its present design it will be per bed—per foot the most expensive hospital the VA has ever built if we were to build it on its present design.

So I think, first of all, that we have an absolute commitment to maintain our health care system and our system of hospitals, and I intend to do that.

But part of this whole review process will be designed to be sure that we are not building facilities that are overdesigned, that are too big or simply go beyond what our real needs are.

Mr. **Edgar**. I hope the Defense Department uses that same logic when it looks at some of the overdesigned defense equipment that we are asked to purchase in the next couple of years.

I yield back.

Mr. **Mottl**. Mr. Nimmo, you are critical in the AP interview of affiliations and of the medical research program. To our knowledge, it has been the policy of the Veterans' Administration to affiliate its hospitals with approved schools of medicine since 1946 when General Omar Bradley was the Administrator and Dr. Paul R. Hawley was the Chief Medical Director.

This policy included the construction of new or replacement hospitals as close as possible to schools of medicine and to provide for an active medical research program. This policy was based on a well-accepted fact that the best quality of medical care could be delivered where such care was supported by active medical education and research programs.

You stated in the AP interview that this is too expensive. How do you propose to bring quality health care to eligible veterans if the medical education and research programs are scrapped, as I believe you are advocating?

Mr. **Nimmo**. No, I am not advocating that, Mr. Mottl. But I do think they bear reexamination. I agree that affiliation is essential in the Veterans' Administration. I agree that many benefits derive from it. It is also enormously expensive. I am not convinced that every VA hospital has to be affiliated with a university teaching hospital.

I have been in hospitals all my life, from my first tour in the Army—community hospitals, proprietary hospitals—and I have never had any complaint about the quality of medical care I got. It has always been excellent. I have never been in a VA or university teaching hospital.

I don't think you have to have an affiliation in order to have quality health care. I do think that the research effort is essential. I think affiliation with the outstanding teaching medical schools is essential. But I don't think it necessarily follows that every VA hospital should be or needs to be affiliated in order to provide quality health care. Because if that is true, then we have a lot of veterans in Alaska, the Philippines and other places that aren't getting quality health care, and I don't think that is true, either.

Mr. **Mottl**. I hope in your next news release you will put that answer in—include it in your next statement about the affiliation. The questions you asked in the AP interview and with the philosophy that they imply are not new to this committee. They sound identical to the Heritage Foundation report and the American Medical Association House of Delegates resolution to mainstream veterans' medicine.

To make this clear, they would advocate providing medical care for service-connected veterans and for their service-connected conditions by a vouchering system with private and community hospitals. They further advocate giving VA health care facilities to the communities in which such facilities are located. The non-service-connected veteran would then have to get his or her care in the same manner as others whether they could afford it or not.

Is this what you plan in the way of medical care for veterans?

Mr. **Nimmo**. No, sir.

I have from the time of my confirmation hearings affirmed and reaffirmed my support of the quality integrated health care system in the VA. I have never had either the Heritage Foundation report or the other one to which you refer, and I have absolutely no confidence at all in a voucher system as a means of reducing costs. I think the absolute reverse would be true.

So let me say again I know that my position, my statements, whether reported accurately or inaccurately, about the construction program and about the 65-year-old veteran will be construed by some to be an attack on the present health care system and an excuse for its erosion. That is absolutely not true. I think that the maintenance of the health care system we now have is absolutely essential.

I think it is made even more important by what is expected to be our contingency support role of the Department of Defense. I think it absolutely has to be continued. But I also think that the time is certainly here when we have to reexamine some aspects of that system and some of the things we do in terms of today's economic environment.

Mr. **Mottl**. In the AP interview you state that you are reconsidering $2.7 billion worth of new or replacement hospitals and that an additional $1 billion worth of fire and safety and seismic-related construction will not be delayed. To my knowledge, the Congress has not authorized any construction at this point beyond that committed in the fiscal year 1982 appropriation. I cannot find $3.7 billion authorized for construction. Can you explain how this figure was arrived at and whose figure it is?

Mr. **Nimmo**. Yes, it derives from the 5-year medical facilities construction plan, Mr. Mottl, which I think was priced out at $5.7 billion. That started with fiscal year 1982. So in fiscal year 1982 and fiscal year 1983 we have programed about $1 billion in construction. Then if you look at the fire, safety, and seismic code corrections that are in that 5-year plan, that takes out about another $1 billion. So you are left with—I am losing track of my arithmetic now——

Mr. **Mottl**. About $3.7 billion.

Mr. **Nimmo**. That $3.7 billion would be the balance for reexamination.

Mr. **Mottl**. How can you justify the delay of the VA's No. 1 priority major construction project, Minneapolis, Minn., and going ahead with the No. 5 priority replacement hospital, Albuquerque, N. Mex.?

In responding to this question, I would appreciate hearing in some detail your rationale for this since Minneapolis has been No. 1 priority for several years.

Mr. **Nimmo**. My recollection was that the Minneapolis project was pulled off that "list of 10" by action of the Congress. Is that not right, Dr. Custis?

It is not right? Maybe someone could help me with that response.

If I may, Mr. Mottl, I will ask Mr. Sullivan to respond to the question.

Mr. SULLIVAN. The design phase for the Minneapolis hospital has not been completed. That is why it was not included in the 1983 budget. Whereas on the Albuquerque project, the design phase was completed some time ago.

Mr. MOTTL. Is that the only rationale that you have?

Dr. CUSTIS. If I may add to that.

Mr. MOTTL. Dr. Custis?

Dr. CUSTIS. The list of 10 was our response to Congress request to identify priorities. It was not intended that they were listed in one, two, three priority order. They were a group, to the best of our ability, that we identified as a group, being highly deserving for early attention. So any one of those among the 10 might or might not have been ready for insertion into a 1982 or 1983 budget request.

There may have been included in that list of 10 a project we knew would not be ready for budget insertion before 1984 or 1985.

Mr. MOTTL. Mr. Chairman, I do not believe that any further questioning of the witness would provide us with data necessary for the committee to fulfill its budget responsibilities by the deadline of March 15, 1982. I would like to let the witness know, however, that we plan to conduct an oversight hearing on March 31, 1982, on the 5-year construction plan.

This hearing will also be in preparation for the construction resolution that we are required to pass each year. I would like to invite Mr. Nimmo to return at that time in order that we can learn more about his construction review and his philosophy concerning site selection, construction criteria and ordering other priorities for major projects.

I have about two more questions, if I may. At the end of September, Mr. Nimmo, Veterans' Administration estimates there were 713,000 female veterans. Approximately 286,000 of these are veterans of World War II. How many female veterans were treated at Veterans' Administration's expense last year?

I would like to have both the inpatient and outpatient workloads. How many of these visits were in a Veterans' Administration facility versus private hospital?

Dr. CUSTIS. I have seen those figures. I don't have them in mind. I would like to provide them for the record. They are very small percentages.

Mr. MOTTL. If you would please supply those for the record.

[The information follows:]

NUMBER OF FEMALE PATIENTS TREATED IN FISCAL YEAR 1981 BY PROGRAM [1]

Program	Service connected	Non-service connected	Total
VA hospitals	5,620	12,151	17,771
Episodes of non-VA hospital care	246	315	561
VA Nursing homes	154	320	474
VA domiciliaries	70	211	281
Community nursing homes	396	305	701
State home nursing home care	24	214	238
State home domiciliaries	6	87	93

NUMBER OF FEMALE PATIENTS TREATED IN FISCAL YEAR 1981 BY PROGRAM [1]—Continued

Program	Service connected	Non-service connected	Total
State home hospitals	14	164	178

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[1] Note.—Information regarding sex is not available for VA staff or fee-basis outpatient vists.

Mr. **Mottl**. According to the budget documents you estimate you will spend $49,250,000 for treatment of patients under CHAMPVA in the next fiscal year. This appears to be about $2 million more than is estimated for the current fiscal year. If the occupancy rates in some VA hospitals are as low as they have been stated, why are you insisting that the eligibility patients use Veterans' Administration facilities and save some of the millions that are being spent under this program?

Dr. **Custis**. As the law is written, is is a small category of beneficiaries, primarily the spouses or children of 100 percent service-connected deceased, who have at their option authority to utilize CHAMPVA. It is a workload that we cannot fully control and bring into the system.

Mr. **Mottl**. The last question I have, can you explain to the Committee, the funding shown on page 6-13 of volume II of IV of minus $1,323,000 and on page 6-36 of the same volume, it shows an increase.

I could not find an explanation of this. To further confuse the issue, you use a third figure and increase due to usage on page 6-23. The last figure shows an increase of $3,276,000. Can you tell me if there is an increase or decrease, and just what the figure is, please?

Mr. **Hoffman**. With your permission we will provide that for the record.

Mr. **Mottl**. Thank you very much.

[The information appears follows:]

CHAMPVA Program

The total fiscal year 1983 net increase to the CHAMPVA Program is a combination of workload decrease and a per diem (inflation) increase. There change are summarized as follows:

Explanation	Pages	Amount
Workload decrease	6-13	−$1,323,000
Per diem increase	6-23	+3,276,000
Net increase	6-36	+1,953,000

The **Chairman**. The Chair will recognize members in the order they came in this morning. If you don't have any questions, you don't have to ask them.

Mr. **Sawyer**. I have a comment. I feel pretty much like the Administrator does. I don't feel there is any outstanding promise to servicemen. I spent 2 years in the service during the war, didn't expect anything and didn't get anything.

I don't feel shortchanged, either. But I do feel a very strong obligation to those who incurred either wounds or service-connected disabilities. That is where I have a kind of a problem accepting your elimination of the 10-percent, 20-percent, 30-percent disability, either directly or as to dependents support, because after all, when they are in a rehabilitation program, for all practical purposes, they are totally disabled in that they are devoting their time to that instead of earning any money.

I would look much more kindly if those amounts of money have to be taken out of the budget, take them out just about anywhere else other than on the service-connected disabilities.

I am expressing my own point of view. Thank you.

The CHAIRMAN. Thank you, Mr. Sawyer. Mr. Edgar?

Mr. EDGAR. Mr. Chairman, I have a number of questions but I would like to operate under the 5-minute rule, if I could, and be notified when the 5 minutes is up, so others can ask.

The CHAIRMAN. Without objection, we will go back to the 5-minute rule. Mr. Mottl had some questions we needed for the record, so we will go back to the 5-minute rule.

Mr. EDGAR. One comment. When you return at the end of March to talk about the capital needs of the health care system under Mr. Mottl's committee, I am going to be asking some questions about the rehabilitation replacement needs of the system over the next 10 years. I am also going to be asking some questions relating to a new discussion that is taking place on Capitol Hill.

Congressman Bill Clinger, a moderate Republican from Pennsylvania, and Secretary Drew Lewis, the Secretary of Transportation, and I and several others have been in discussions about the possibility of moving the Federal budget process to what all 50 States do and what all businesses do.

That is have an operations budget and a capital budget so we can clearly see what our capital needs are, not only in terms of veterans facilities, but water systems, highway systems, bridge systems, the kind of basic infrastructure needs of the Nation.

There is some indication if we had that kind of budgeting system there would be no real deficit in our budget. We would have a long-term mortgage that we would have to pay off, both the interest and the principal.

One of my concerns is if we don't have a capital budgeting concept, we simply add these construction projects to our debt without any way up front of paying off the mortgage on those things.

Many of us believe that we ought to be investing in the United States and not disinvesting. It looks to me with high interest rate and high deficits over the next several years that we will defer maintenance on many of our capital improvements, and I am nervous about that.

Let me ask you a specific question, Mr. Nimmo. Are you attending Cabinet meetings with the President at this time?

Mr. NIMMO. No, I am not.

Mr. EDGAR. Have you been invited to?

Mr. NIMMO. Not Cabinet meetings.

Mr. EDGAR. I understand there was an informal relationship with a previous Administrator of the Veterans' Administration that he was permitted to attend Cabinet meetings so that this agency, which is the third highest expenditure in the Government, could play a role in the dialog and debate on economic markets generally, as well as specifically helping the President and his staff and his Cabinet officials understand the unique needs of veterans.

Do you personally think that it would be of any value to you to participate in those Cabinet meetings?

Mr. NIMMO. Mr. Edgar, I have more meetings to go to now than I can possibly attend and absorb. I have a feeling that if I were to attend a Cabinet meeting, I would be subjected to a lot of long conversations that have really nothing to do with veterans.

I am comfortable with my relationship with people in the White House. I think this budget is evidence that when the need arises to talk to people over there on behalf of veterans, that the access is there. I am just comfortable with my relationship with the staff over there and if the time comes when it is necessary for me to talk to the President, I don't anticipate any problems doing that.

Mr. EDGAR. When was the last time you had a sitdown conversation with the President of the United States on veterans issues?

Mr. NIMMO. I have not had a conversation with the President devoted exclusively to veterans issues.

Mr. EDGAR. Do you think there is any reason why there should be with some regularity—some conversations with the President?

Mr. NIMMO. No, I think that has to take place and that will take place within the next few months. I guess I have to say that in the relaively short period I have been here, about 8 months, my biggest job has been trying to get acquainted with the magnitude of the agency and try to get the 1982 and 1983 budgets in place.

And really, now is about the first opportunity I have had to sort of put my feet up on the desk and look out the window, and, you know, think philosophically about what the Veterans' Administration ought to be doing, what should we be doing differently or should we be doing anything differently?

And in that context, I intend to prepare, and am now in the process of preparing, a number of policy options which I intend to take to the President within the next few months.

Mr. EDGAR. The President has a great opportunity to get media attention through state of the Union addresses and other opportunities to talk directly with the American people. I have noticed a lack of comment about the needs for concern about our veterans, particularly our Vietnam veterans in his statements.

Occasionally, on special Memorial Days, there are statements and I would encourage and urge you to seek out those opportunities, not just to talk with the President, but to work with the staff, to make sure that your agency not only receives the kind of budgetary levels that are important, but also gets the kind of respect and input into the President's communication with the American people about the importance of being concerned, particularly about our veterans areas.

Mr. NIMMO. Certainly, in the 14 or more years that I have been associated with Ronald Reagan, I know of no one in public life who has a greater feeling and compassion for people who serve their country than he does.

Mr. EDGAR. It was difficult to see that last year when the budget recommendation came up to eliminate all 91 readjustment counseling centers. The fact that he did sign the bill into law over his original objection, maybe you are right.

I yield back my time.

The **Chairman**. Mr. Daschle.

Mr. **Daschle**. Thank you, Mr. Chairman. I, too, would be happy to submit myself to the 5-minute rule in the interest of some time. I want to pursue the line of questioning that I left the last time. Since we visited a few moments ago, I have—I was given a chart that indicates there are now 498,000 veterans who are rated 30 and 40 percent.

Not all of them have dependents, 20 percent of the service-connected veterans are in the 30 to 40 percent category. I was interested in the description last week, by the DAV. They indicated that a 30- or 40-percent evaluation is assigned to disabilities such as the amputation of a lower extremity below the knee, the anatomical loss of one eye, and injury to the skull resulting in a hole larger than the size of a quarter.

Generally, these disabilities are combat related and certainly cannot be described as relatively minor. What concerns me, No. 1, is that we are talking about a sizable number of people.

No. 2, we seem to be hitting some of these veterans with a double whammy. We are eliminating dependents' allowance and vocational rehabilitation.

Ms. Starbuck, could you explain why that would not be a statement in fact? I see you shaking your head.

Ms. **Starbuck**. We are not taking away a disabled veteran's right to vocational rehabilitation. As I mentioned before, under the vocational rehabilitation program, we would continue under this proposal to pay his subsistence allowance and a single veteran rate.

Mr. **Daschle**. You are eliminating the dependents, is what I am saying, and those dependents is what I am referring to. Are they not getting sort of a double hit here?

Ms. **Starbuck**. If they are under the program, if the dependency allowance for 30 and 40 percent rated veterans were to be enacted and this, too, that is correct.

Right now, they are getting dependency allowance under the compensation program and under the vocational rehabilitation program. Both of those would be sticken.

Mr. **Daschle**. Is there not a purpose for both of those programs right now? Have you found some major failure, some fault in the system? Do you find a lot of abuse? I still am not clear in my mind why is it you targeted that program. On one hand we can jack up—staff doesn't seem to be at a loss here.

We have plenty of staff. We are adding now another 1,200 people, 950 net, I guess. Now, you are saying that that has a higher priority than these people, some of whom have dependents and have lost extremities below the knees, the loss of one eye, or an injury to the skull larger than a quarter.

You will take those benefits away. Explain to me what the rationale was, as you prioritized your options, why you homed in on them.

Ms. **Starbuck**. I think, Mr. Daschle, to answer your question, it would be necessary that I go back in the history of the construction of this budget to review every option that was presented to not only me, but to the Administrator, to determine which fell out and which stayed in.

It is our very strong feeling that with respect to the discontinuance of the dependency allowance under chapter 31 that there would be no diminution in the number of veterans who would take advantage of that benefit.

Mr. NIMMO. The new employment that you refer to is for new activations. I am sure you would not want us to construct any kind of medical facility and then not staff it. That had to be a priority, to put people in there to deliver the health care services that are required.

Mr. DASCHLE. This is a net gain, is that correct, Mr. Nimmo, of 1,200 people?

Mr. HOFFMAN. A net agency gain of 955 average employment.

Mr. DASCHLE. So that tells me—are you eliminating anybody in the central office in the fiscal year 1983 budget?

Mr. NIMMO. Yes, there are staff eliminated in the central office.

Mr. DASCHLE. How many?

Mr. HOFFMAN. We are eliminating, for example, 218 average employment in the Department of Veterans' Benefits. A portion of those would be in central office. There are 14 FTEE being eliminated in the Office of Data Management, which also would be central office positions primarily.

I might also add that in the medical administration accounts there is a reduction of 13 employees.

Mr. DASCHLE. So you are eliminating around 250 in the central office, but in the aggregate, the net gain as far as people goes is that you are picking up 1,200 people. You don't have them within the system so you will add 1,200 new people?

Mr. HOFFMAN. That is in the medical care appropriation.

Mr. DASCHLE. I know it is in the medical, but you are telling me that you can't find a savings, somewhere else in this huge system, so you will find the money, as it turns out, in cutting benefits. That is what troubles me the most.

I have a red light on and there is one last question I need to ask, and then I will yield back my time.

I know that the VA is aware of the recent admission by someone in California that he followed orders to keep two different sets of records on radiation readings from film packages worn by soldiers at the Yucca plant in Alabama.

One was falsified as to radiation amounts. I would like to know what the VA is doing with respect to this situation and how do you plan to compensate those individuals who were involved at those tests?

Dr. CUSTIS. I will take the first part.

We issued a circular implementing what Congress has asked us to do in regard to medical care for those who have been so exposed, regardless of any scientific evidence that there may be damage from such exposure. I think this is the point where you should take over, Dorothy.

Ms. STARBUCK. When a veteran files an application for benefits, alleging a disability that is related to exposure to radiation, we have over the past, until very recently, been operating on an agreement with the Defense Nuclear Agency who would, through an agreement, provide us with exposure information for any particular test or any particular exposure.

Our authority to use that agreement is now nullified by court action; however, we still continue without resorting to the provisions of the agreement, and attempt to obtain from the Defense Nuclear Agency exposure information.

The gentleman you mentioned, who says he kept two sets of books, would be a subject of inquiry on the part of the Department of Defense, and not the Veterans' Administration.

Where we need exposure data, we obtain it from the Defense Nuclear Agency.

Mr. **DASCHLE**. Have you received adequate cooperation from the Defense Department in this regard? Are you getting information in order to find out just what exposure levels were and how you can be of assistance in treating them? What kind of cooperation?

Ms. **STARBUCK**. Cooperation with the Department of Defense has been just excellent, Mr. Daschle. They have done the very best with us that they could.

Mr. **MURPHY**. I have seen a report from the Defense Nuclear Agency in connection with the allegations made by this gentleman. I think it may be helpful if subsequently I could supply that for the record.

Mr. **EDGAR**. I think there is a letter on the Secretary's desk from our chairman, asking for an analysis of the Veterans' Administration in terms of this question.

We hope you would submit that for the record.

[The information appears on p. 110.]

Mr. **DASCHLE**. I thank you.

Mr. **EDGAR**. Congressman Won Pat.

Mr. **WON PAT**. I would like to ask unanimous consent to submit to the committee some questions for the Veterans Administration?

Mr. **EDGAR**. Without objection, so ordered.

[The information appears on p. 155.]

Mr. **WON PAT**. Thank you, Mr. Chairman.

Mr. **EDGAR**. Mr. Napier?

Mr. **NAPIER**. Thank you. I would like to pursue just a bit, if I may, the line of questioning that you were proceeding on a few moments ago. I introduced a bill to provide Cabinet level status, Mr. Administrator, for you. I think that is very important. We are a nation of men, we are a nation of institutions and laws.

So, while you may have access to the President and do an able job at that access, there may be some others later on who do not have that access.

I think that is the spirit we need to look at this in. I would just like to ask you: As I understand the setup of the White House now, we are governed by Cabinet Councils as far as policy input and policy development is concerned.

What Cabinet Council level Government, Human Resources, is that the one that deals with VA problems?

Mr. **NIMMO**. Yes, sir.

Mr. **NAPIER**. Do you know who sits on those Cabinet Councils?

Mr. **NIMMO**. Mr. Napier, I would have to confess to you that I don't.

Mr. **Napier**. I just wanted—at such time—I would assume the Department of Housing and Urban Development, perhaps somebody from Health and Human Services and the other Human Resources Department sit, is there a mechanism whereby some staff person or someone from VA has input into that Cabinet Council?

Mr. **Nimmo**. Yes, sir, we do.

Mr. **Napier**. Would you describe that to us?

Mr. **Nimmo**. Well, we are invited to participate. The Deputy Administrator has direct access to those.

Mr. **Napier**. So that is high level. At such time as we have discussions in the policy levels on medical care, or on housing or such as that, it is just my feeling that if one can be there as an equal, rather than as a deputy or as a deputy from an Agency rather than a Department, he can speak out and have a vote more effectively.

Does VA have a vote in these Cabinet Councils?

Mr. **Nimmo**. No, we do not.

Mr. **Napier**. I would like to say I think it would be good if you did have a vote. I trust all of your judgment over there and I would like to see you have that vote. Thank you, sir.

Mr. **Edgar**. Ms. Heckler.

Mrs. **Heckler**. Thank you, Mr. Chairman. I would just like to say for the benefit of the record that on at least two occasions the President has mentioned the subject of veterans affairs with me at his initiation and I am very convinced of this commitment to veterans, as you have said, Mr. Administrator. I did disagree with him on the 91 veterans outreach centers, but as you know, I think that the OMB was the primary source of the objection, and ultimately the objection was withdrawn, and it is my understanding today that instead of the 91 veterans outreach centers, there are currently over 110.

Is that correct?

Mr. **Hagel**. Mrs. Heckler, we now have 112 in full operation. By the end of this fiscal year, we will have 136.

Mrs. **Heckler**. I think that shows some concern for the veterans. I will not prolong the hearings today. I am encouraged that you are concerned with the level or research. I think that is a very important part of the Veterans' Administration function. What is the present status in terms of the amount of cutback or growth in the research area? Could you tell me?

Mr. **Nimmo**. We have an increase in this budget over 1982. I would ask Mr. Hoffman to give you a precise figure.

Mr. **Hoffman**. Mrs. Heckler, there is an increase in the budget for medical and prosthetic research of $9.6 million, to a level of $137.8 million.

Mrs. **Heckler**. Is that only prosthetic?

Mr. **Hoffman**. No for the entire medical and prosthetic research program.

Mrs. **Heckler**. I see.

Mr. Administrator, we have spent a lot of time today, and my concern still remains centralized to the problem of the older veteran. I am very concerned with the level of funding and with the mandate of Public Law 96-330, which was, I think, a bill that had tremendous support in the Congress and among all of the veterans everywhere.

I will request of my colleague, Mr. Mottl, that a hearing be held on the problems of the older veteran and we can explore them again.

I would like to say for the record in Mr. Montgomery's absence that the Chairman has maybe for the first time allowed a very extensive consideration of the budget, which I value very much.

I value the panel and your time today. I will submit further questions for the record, and would hope that a further hearing can be held on the older veterans' problems because that is of central concern to me and to many of the veterans of the country.

[The information appears on p. 170.]

IMPLEMENTATION OF A NEW GI BILL

Mr. **Edgar**. Without objection, other members have questions that they will be submitting for the record. I know Congressman Hall and Congressman Leath have some questions they will be submitting.

Ms. Starbuck, it has been mentioned in these hearings so far that there will be a reduction of some 218 people from the area of Department of Veterans' Benefit, is that correct?

Ms. **Starbuck**. That is correct, Mr. Edgar.

Mr. **Edgar**. The chairman of this full committee and myself and some people over in the Armed Services Committee are very aggressively working on a new GI bill and H.R. 1400 has passed this committee, and there is some indication that early in March the Defense Department will come forward with its proposals.

If a new GI bill were enacted, would you have enough staff to implement that new GI bill at the present time?

Ms. **Starbuck**. It would depend, of course, immediately, on the eligibility of individuals covered by that bill. With the 218 reduction that we are going to be taking in 1983, relating specifically to the reduction in education, if legislation is passed and there is an immediate large number of veterans eligible to take advantage of that bill, then we would be having to ask for supplemental funding.

Mr. **Edgar**. Let's assume H.R. 1400 in its present form is passed. I assume that because of the great legislative skills of our chairman. Can you quantify that in number of people, given the benefit levels of the $300 first year benefit, which would be administered by the VA?

Ms. **Starbuck**. May I supply that for the record?

[The following was subsequently supplied for the record:]

Since H.R. 1400 eligibility is based on three years of active duty after enactment, the only individuals eligible in the early years would be those with a service connected or hardship discharge. We anticipate that in the first year we would have 3,700 trainees at a benefits cost of $1.5 million and an administrative cost of 6 man-years and $138,000. It should be noted, before the VA can begin processing monthly certifications, programming changes must be made.

Mr. **Edgar**. Yes. Mr. Nimmo, title 38 provides that a veteran enrolled in a correspondence course under the GI bill should be paid an educational assistance allowance at a rate of 55 percent of the established charge for that course.

The 1982 appropriation did not include funds for correspondence training. How are you handling veterans who have enrolled in correspondence courses under the GI bill and applied to the Veterans' Administration for reimbursement of 55 percent of the course under the entitlement of the authorization bill?

Ms. **Starbuck**. We are processing those to the point of disallowance now. If the individual was not in the program in which he continues, if he attempts to start a new program or to change from the program, that application must be disallowed.

Mr. **Edgar**. I am a little concerned. I am not a real strong supporter of correspondence courses myself, but we have a contradiction in law. We have the authorizing entitlement. You are suggesting that it is disallowed because of——

Ms. **Starbuck**. We don't have the funds to support the program.

Mr. **Edgar**. Let me ask another question that relates to that. It occurred to me that in 1982, the Administration took a cost saving of elimination of correspondence courses in their calculation.

I see the elimination of that program again this year. I wonder if there is not a duplication of savings? I mean you eliminated it last year and took credit for that as a legislative saving.

Ms. **Starbuck**. The proposal was to eliminate it. As the legislation turned out, what happened was a reduction in the rate of reimbursement, to persons who were pursuing the program. Now if, in the—that would have been the 1982 budget. If we showed a personnel reduction as a result of the proposal to eliminate correspondence training and the elimination did not take place, then there would be no reduction in the general operating expenses fund.

Mr. **Edgar**. It just struck me as we were getting savings twice from the same dollars?

Ms. **Starbuck**. That has happened from time to time.

Mr. **Hoffman**. In this case, Congress did not buy the entire reduction as proposed last year, this is the remainder of it.

Mr. **Edgar**. Let me ask this question: In reference to your proposal relating to individual unemployability, and those dependents taking educational courses under the dependents educational assistance program, chapter 35, under your proposal, would educational assistance for spouses and children be ended for them even though their parent was totally and permanently disabled?

Ms. **Starbuck**. No, it would not.

Mr. **Edgar**. It would not.

Ms. **Starbuck**. That is correct.

Mr. **Edgar**. Under the pension program you would change the definition of a dependent child to stop benefit payments to schoolchildren over 19. Presently, payments are authorized to age 23. I remind you the pension program is geared to a strict economic need test. It is a needs program. Children of a veteran receiving pension are needy people. Does this not run counter to the policy of not cutting programs for people really in need, some of those safety-net groups the President was trying to protect?

Mr. **Nimmo**. That can be arguable, Mr. Chairman. We think again in the economic environment in which we find ourselves, when we reduce or change that benefit only to apply to those 19 or over, we have not really done that.

Mr. **Edgar**. The 96th Congress updated the vocational rehabilitation program Public Law 96–466. Last year to further help the Congress made a Department of Labor program, the disabled veterans program, permanent to help disabled veterans find jobs. The budget has been cut for programs which had an impact on that program. Now you further discourage the disabled by cutting out the additional subsistence allowance for dependents? Do you not have your priorities a little mixed up in this connection, and does not the service-connected disabled receive the highest consideration? I know in Congress they do receive it, and I wonder if this is not an area where we ought to try to help the President understand the need for special help in this area of employment.

Ms. **Starbuck**. Mr. Edgar, the cost constraints that we were asked to take just absolutely put us in the position of having to look at service-connected benefits. And it was our feeling that if we took a veteran in chapter 31 training back to a single veteran rate and subsistence and continued, of course, as we do now to support the cost of his education, that we would not be discouraging individuals from entering the vocational rehabilitation program if they were unemployed and in need of vocational rehabilitation. This is—this, of course, coupled with the proposal that those who were rated 30 and 40 percent also discontinued receipt of dependency allowance, does give the impression of kind of putting the double whammy on the 30- and 40-percenter. But again the allowance, dependency allowance for the 30- or 40-percenters, is generally going to a large population that is employed, and the number of those who are in the chapter 31 program is a rather small element of the 30- or 40-percent disabled.

Mr. **Edgar**. Let me shift gears a little. Are you confident that eliminating the 50-percent employment reporting requirement for vocational educational programs does not run counter to the President's intention of cutting waste, fraud, and abuse out of public policy? How can we be sure abuses will not rise again if this safeguard is ended?

Ms. **Starbuck**. You are asking a very difficult question. We feel that the emphasis that we have given this program and the fact that State approval agencies would be continuing to monitor such institutions would be to our benefit. I could not guarantee you, Mr. Edgar, that somewhere along the line someone would not indulge in a little fraud, waste, and abuse if he or she thought that he or she could get away with it. There is just no guarantee against that.

Mr. **Edgar**. But the program was put in place to try to protect against the veteran being ripped off by some of these fly-by-night vocational schools?

Ms. **Starbuck**. That is generally correct. It was also intended that veterans not take courses and then fail to pursue some employment based on the courses in which they were trained. It works both ways.

Mr. **Murphy**. I may point out in that connection that the number of veterans from the beginning of the program to the present has greatly decreased. The number of disapprovals are also way down. Originally when we had approximately 600,000 veterans involved, we—the VA was disapproving about 25 percent of the courses. We are now dealing with approximately 65,000 veterans and have a disapproval rate of about 3 percent. So although I think you are correct, and it is fair to say this may open up a possibility of some fraud, waste, or abuse, we are talking about a relatively minor thing in comparison to both the original scope of the program, and the efforts imposed on the schools.

Mr. **Edgar**. Except that a dollar of waste, fraud, and abuse is still a dollar of waste, fraud, and abuse. If the intention was to try to keep an eye on that, I guess it is our concern that we may be stepping back and may find ourselves still just disapproving 3 percent, but 25 percent may be the actual number of people who abuse the program, albeit a smaller program for the 65,000 veterans who are presently in it. It is just a word of caution and concern that some of us are raising.

Mr. Administrator, the 2-year targeted extension of the date that we passed last year, have VA regulations been published in the Federal Register for that?

Ms. **Starbuck**. I do not remember. Let me get the answer for the record on that.

Mr. **Edgar**. Does anybody remember? All right. Submit that for the record.[1]

Do you know what the designated cost in fiscal year 1983 for this extension is going to be?

Ms. **Starbuck**. No, I do not, not offhand.

Mr. **Edgar**. Do you know how many veterans will use this benefit?

Ms. **Starbuck**. Do we have an estimate on that? No, we do not have an estimate on that.

Mr. **Edgar**. We are receiving rumors, the opposite to the question before, that this particular benefit is being overregulated and severely restricting that service to the veteran on this extension as being somehow confused and overregulated and causing a great deal of confusion. Are you receiving those same kind of inquiries?

Ms. **Starbuck**. Not from our field stations. We have received some information of that, someone who objects to basically the way the rule was implemented. It was our impression, and we have so provided in our instructions to the field, that this extension be made available to individuals who are in need of vocational training or educational benefits or an extension. I do not think this is designed for——

Mr. **Edgar**. How many are receiving benefits?

Ms. **Starbuck**. I would have to provide that for the record.

Mr. **Edgar**. A few or a lot?

Ms. **Starbuck**. I have no idea.

Mr. **Edgar**. It was an important item that we included in last year's legislation. We would like for the record an update on the status of that program, the regulations, the number of applicants, how well it has been publicized, et cetera.

Ms. **Starbuck**. Very good.

[The information follows:]

To date, 1,131 veterans have applied for this benefit with 56 being approved for training, 430 denied benefits and 645 still pending award action.

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[1] The regulations have not yet been published. The tentative date for publication is mid-April.

Mr. Edgar. In coordination with the Department of Labor an Assistant Secretary of Labor was mandated by Public Law 96-330. What actions have been taken to date and what actions are planned to implement the provisions of that coordination?

Ms. Starbuck. Both the Administrator and Deputy Administrator have met with the Assistant Secretary for Veteran Services in the Department of Labor and we currently have a group in the Veterans Assistance Service of DVB and the Vocational Rehabilitation and Counseling Service as well as representatives from the General Counsel's office working on an update of an agreement between the two agencies to cover the employment aspect.

Mr. Edgar. We note that employment among Vietnam veterans is at a fairly high percentage level at this point in history. Employment generally is increasing. I would urge you to continue those efforts of coordination. We had some hearings recently with the Department of Labor looking at their programs, and I think the interface between the VA and Department of Labor is critical at this time in history.

Ms. Starbuck. I have asked my people to stay on that very closely.

Mr. Edgar. Let me ask a question for Mr. Hall in the area of pensions. When we reformed the pension program in 1978 we designed it to provide a support level to give the most assistance to the most needy. We took a lot of pains to make sure that when outside income went up, the VA pension was adjusted, that the pensioner would still have the same total dollars to live on. I am told that it would be possible under your proposal for a veteran or a widow to report as little as a dollar increase on their income questionnaire and have to take a $12 reduction in their pension, a net loss of $11 per year. This might not sound like much of a loss, but we have to remember that we are talking about people who are at the very bottom of the economic ladder, the truly needy, where every dollar of income is important. Do you have a comment on this calculation and whether it is accurate and whether or not as pensions or as income is reported to you, as pensions are adjusted, they are adjusted downward because of this particular quirk in your proposal?

Ms. Starbuck. The proposal, Mr. Edgar, is that individuals who are now paid pension, be paid in rounded-down dollars.

Mr. Edgar. I want you to underscore that. That is rounded-down dollars, so that if it was $510.90, it would be $510 even?

Ms. Starbuck. That is correct.

Mr. Edgar. So you would save the 90 cents rather than rounding it to the closest whole number?

Ms. Starbuck. Yes. The most, under this proposal, I guess the maximum anybody would lose would be $11.99 a year.

Mr. Edgar. But let us get back to the original question. Is it true that those persons will, in fact, get less money?

Ms. Starbuck. They would, in fact, get less money; yes, sir.

Mr. Edgar. That is counter to the intention that we were hoping to place in law, and with high cost of energy and the high cost of fuel and for some of our most needy veterans who are living at the fringes of income, that $11 could be——

Ms. Starbuck. It is $11 on the year, Congressman.

Mr. **Edgar**. It still could be a difficult thing for some to adjust who have negative outflows from that income. I appreciate your answer to the question.

Mr. Daschle, do you have any additional questions?

Mr. **Daschle**. Mr. Chairman, I do, but I think I will submit them for the record in the interest of time.[1]

Mr. **Edgar**. Let me say to all of you, we really appreciate your patience with us. We do not get an opportunity to have all of you before our committee too often. From the questions you will understand that we do have concerns in a variety of areas. We appreciate your taking the time to be with us this morning.

Mr. **Edgar**. We now have a Mr. Egan and Mr. Robert Lyngh testify next. One is deputy director of the national legislative commission for The American Legion, and the other the director of national veterans' affairs and rehabilitation commission for The American Legion. I hope somebody was down watching the veterans' store while all of you were here.

STATEMENTS OF PAUL S. EGAN, DEPUTY DIRECTOR, NATIONAL LEGISLATION COMMISSION, THE AMERICAN LEGION, AND ROBERT E. LYNGH, DIRECTOR, NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION

Mr. **Egan**. Our witness this morning is Bob Lyngh, who you have already recognized. We would ask that our full statement be inserted in the record. We will summarize our remarks.

Mr. **Edgar**. Without objection your full statement will be made a part of the record. We appreciate your coming this morning and your patience. We appreciate your abbreviation of your statement before us.

Mr. **Lyngh**. Thank you, Mr. Chairman.

At the risk of using up some of my brief time, two comments before I address the statement that we have prepared and submitted.

One is the chairman would be pleased perhaps to know we have an American Legion field representative presently making a site visit to Philadelphia Veterans' Hospital, and hopefully we will have a very interesting report from him within a couple weeks.

The second point, if I might, Mr. Chairman, alluding to a discussion that took place between the committee and the representatives of the Veterans' Administration about the indigent veterans who may be—who may suffer as a result of the loss of the burial benefit, we have a suggestion which would address that problem. The Omnibus Reconciliation Act of 1981 that eliminated the burial benefit provided that it would be payable to those who were receiving compensation or pension at the time of death. A small change in that law to include those who are entitled to receive pension or compensation at the time of death would probably encompass most of those veterans who would die in an indigent condition.

Several observations are in order at the outset of any discussion of proposed funding for veterans' programs for the ensuing fiscal year.

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[1] See p. 169.

The American Legion believes that when the national priorities are established, veterans should rank second only to national defense.

The first obligation of the Government clearly is to those who were disabled in the service.

The Government of the United States has certainly met its obligation to its veterans, and the proposed budget for fiscal year 1983 indicates it intends to continue doing so.

The American Legion stands for full funding for veterans' programs. By this is meant that all veterans' programs are viable and fulfilling the purpose for which they were intended when established, and such funds as are necessary to keep them operating should be provided.

Having made those statements, The American Legion further observes that the Nation is in a period of recession and economic difficulties requiring strict fiscal restraint in Federal expenditures. The Legion acknowledges that veterans must share in those restraints. The fact that the percentage of the Federal budget allocated to veterans' programs has declined in the proposed budget indicates clearly that veterans' programs are not consuming an increasing amount of the Federal dollar.

If the proposed budget is enacted, a number of needed adjustments in veterans' programs will have to be deferred, and some adjustments in benefits will be made. The American Legion considers those deferrals and adjustments to be the contribution of the Nation's veterans to the difficult economic situation in which the Nation now finds itself.

Having said that, it must next be said that the President's proposed budget for VA is the absolute minimum that can be appropriated if veterans' programs are to remain viable. At a decrease of one-tenth of 1 percent of the total Federal budget, the fiscal year 1983 budget is in fact a decremental budget. It does not allow for the 8.9-percent rate of inflation that prevailed during calendar year 1981. For example, it must be borne in mind that the cost of pharmaceuticals, medical supplies, and health professionals escalates at a minimum at the prevailing rate of inflation.

Moving quickly, Mr. Chairman, to a later part of our statement on page 11 we would like to offer the comment under the heading of legislative initiatives, The American Legion must now address a matter on which the proposed budget for fiscal year 1983 is silent; and that is the burial benefit for veterans that was eliminated in the Budget and Reconciliation Act of 1981. This elimination was a mistake on the part of Congress, and it should be restored this year.

This elimination effected a saving of some $61 million for fiscal year 1982, and purports an additional saving of $5.7 million for fiscal year 1983.

The other side of this proposition is that the burial benefit is the single monetary benefit that has been available to the entire 25.7 million population of war veterans.

Mr. Chairman and members of the committee, before concluding this statement, we beg your indulgence in permitting us to include a comment about a recent initiative of the Administrator with reference to the VA construction program. We seek this opportunity because this is the first forum in which we are able to react to the Administrator's action, acknowledging as we do that the matter does not constitute an immediate legislative action the committee has to deal with. It is important, however, to the future of veterans' programs, and for that reason we believe it is of interest to the committee.

We refer to the Administrator's announcement of February 22, that he is suspending the planned VA construction program, commencing with fiscal year 1984, pending study and revalidation as to true need. This action shocked The American Legion, and we believe it will be of direct concern to this committee, because it calls into question the oversight the committee has provided to all VA activities, including the construction program.

In his statement, the Administrator says the VA construction program has been formulated to a great extent on the basis of local politics. That is a terrible thing to say, and The American Legion rejects it. Does this not challenge the oversight responsibility of this committee, we ask? We suggest the committee require the Administrator explain and justify his statement before this committee and its members.

The American Legion pays close attention to the VA construction program, most of which is for medical facilities. Our field representatives visit about 65 medical centers each year, and we believe we have a good idea of the condition of those facilities. The fact is that the 172-hospital VA system, which is a multibillion-dollar investment of the Federal Government, is a deteriorating system and is in need of constant renovation and replacement. Every VA hospital is required to maintain a 5-year plan that is reviewed and approved or modified by central office. The overall 5-year plan for renovation and replacement is then submitted to this committee for review and approval or modification. Further review is then provided by the Appropriations Committee. The same procedure occurs in the Senate, so that the VA construction program is given oversight by at least four congressional committees before it is approved and funds are appropriated. We say categorically, based on our knowledge of the VA system, that it is not controlled by local politics. And we believe this committee should challenge that statement by the Administrator.

There are hospitals in the system that were built prior to World War II, and many more built immediately following World War II, when the system was greatly expanded. These hospitals are simply not configured to accommodate the practice of a medical technology that has changed profoundly during the past 35 years. And, at a time when the VA is being given a new mission by Congress, to act as the principal national security backup to the military medicine program, the Administrator wants to discontinue the renovation and replacement program. We simply do not understand that kind of thinking, unless it is an attempt to give the American people the impression the administration will stop spending money for any reason at all.

Two other things about this latest initiative we would like to mention. First, the figures that were provided to local news outlets as to costs and savings contemplated were not in all instances correct. Some of those figures were escalated beyond the point of reality. Why was that done? Second, in the news release by the Administrator, mention was made of "hundreds of new VA medical facilities in communities across the country." This would lead readers to believe the VA is in the process of building new hospitals all across the Nation. The Administrator knows very well the VA construction program is exclusively for renovation and replacement. There are no new facilities planned since the cancellation of the Camden, N.J., hospital. This appears to be another effort to mislead the American people.

In conclusion, The American Legion offers the thought to the committee that it should engage the Administrator in open and early dialog on this entire matter, and should require him to correct the misleading impressions he has created. Thank you.

[The statement of Robert E. Lyngh appears on p. 114.]

Mr. **Edgar**. Thank you very much for your statement, and I appreciate The American Legion's field representative who is looking at the Philadelphia situation.

I just had an unusual thought up here when you were talking about the correction in the burial benefit issue. If Members of Congress could just give back the tax break they voted themselves, we probably would have enough funds to pay for that burial benefit at full funding in the past. I would be the first to be willing to recommend that. It seems to me that Members of Congress would be willing to give that up for the veteran community. We ought to ask around and see if we can get some interest in that.

What kind of comments do you have about the Administrator saying that in 8 months he has not had a sitdown conversation with the President of the United States, even though he administers the third largest budget in the Federal system?

Mr. **Lyngh**. I think it is an indication of the priorities that are prevailing today, Mr. Chairman, which certainly is not agreeable to this organization.

Mr. **Edgar**. The Administrator said something else I would like to question you about. Do you feel we have an obligation to continue to provide service to those veterans, particularly the nonservice-connected, who the VA Administrator says might only have been—and I quote—"inconvenienced by their service."

Mr. **Lyngh**. Mr. Chairman, that is a very interesting point, and I chafed at the bit back in my chair when he made that statement. What I wanted to do had we been in an open forum is create a hypothetical situation for him. Let us take for example a veteran that served 3 months in Missouri in World War II and is drawing disability because he was run over by a truck and broke his leg. Then take a veteran—I have a brother-in-law who faced enemy fire from Normandy to the Rhine, and fortunately he was not shot. Now if that man comes down with cancer now that he is in his sixties and it is a question of his going to a veterans' hospital or a charity hospital in the city of Denver, I wonder where the Administrator's priorities as to the national obligation and my brother-in-law would lie. That is an example.

Mr. **Edgar**. I think your statement is so eloquent I do not think it needs any followup questions and comments. I know exactly where you are coming from.

Let me ask one final question. You talked at length about the Administrator's statement about the construction needs. You heard as he was testifying here my question of him as he analyzes the future needs for veterans' construction of medical facilities to think about rehabilitation, replacement, and the age of the system as well as the new starts. I think all of us have a concern that we look at the future 10, 20 years out and whether or not we are adequately going to be able to provide. At the present rate of funding, it occurs to me that we will barely keep up with holding with scotch tape and Elmer's Glue the medical system together. We have a number of hospitals built right after World War II that are obsolete. And yet, they are still in service. We have a number of hospitals that need major renovations and rehabilitation which are not going to be addressed because of the priorities of dollars. And we have a number of new hospitals in areas of new inmigration that are not going to be built because of limitations of dollars.

Some of us are looking at moving toward a capital budget and operation budget. In looking for some imaginative ways to address the needs of replacing the basic infrastructure of our Nation, there are all kinds of possibilities, some bond issues, some ability to put in the budget over the 20 or 30 years life of a construction project, both the interest and the principal so we do not keep adding to our debt but in fact we mortgage a new hospital. Someone even suggested that we have veterans' savings bonds in a particular area that could be used to generate some resources to build a replacement hospital.

I am not sure, given all of the budget pressures that we are under, that anybody is thinking creatively. I think most people are thinking about here is the limited dollars we have to spend, here are the needs we have. I think if we have that short-term vision for the next 20 years we might find ourselves by the year 2000 with simply no veterans' medical facilities that are capable of handling the sophisticated kinds of need of health care. When the Administrator comes back at the end of March and when The American Legion comes back, I hope you might address that question and perhaps, between now and then, look at some of the discussions that have been made on the issue.

The General Accounting Office has done a report study of the VA construction process. A number of people like Pat Chote have written books like "America in Ruin," looking at the base of our infrastructure. And Congressman Clinger and others have attempted to address the issue of how we move toward a capital budget so we know what our rehabilitation, reconstruction, and new construction needs are across the board. I hope The American Legion will take the time to address that.

Mr. LYNCH. Can I offer a comment before we conclude? We would be very supportive of any innovative thinking as far as the funding of the renovation program is concerned. The American Legion realizes that the capital plant of the VA medical care program is a vast one and maintaining it is expensive. The other side is that the VA medical care program is probably the most comprehensive, integrated, and absolutely essential element of the total delivery of medical care in this country today. That is an inescapable fact that will not go away. We are also facing the fact that this Congress is in the process of adding a new mission to the VA medical care delivery mission, and that is making it a national security backup to the military medical services.

I offer as final thought the fact that with the reference to the Minneapolis hospital, the name of that being thrown around in the press, the fact of the matter is that the hospital, of 850 beds, is one of the busiest tertiary hospitals in the United States today, not only in the VA system. That hospital is 55 years old. It is definitely not in a fit physical condition to practice the kind of medicine that we expect doctors to practice in 1982. The Congress, the Federal Government, and the President of the United States, cannot turn their backs on that fact. They have a multimillion-dollar investment in the delivery of care in that area. And it is just not possible for them not to maintain the investments they made up there.

Mr. **Edgar**. Thank you very much. Thank you for your testimony up there. We appreciate the work of The American Legion.

Mr. **Edgar**. Our next witness will be the assistant national legislative director for the Disabled American Veterans.

Your full statement will be made a part of the record today, and we appreciate your attendance and comments.[1] I hope you will summarize to the initial statement and respond to any of the questions raised this morning.

STATEMENT OF CHARLES E. JOECKEL, JR., ASSISTANT NATIONAL LEGISLATIVE DIRECTOR, DISABLED AMERICAN VETERANS

Mr. **Joeckel**. Thank you, Mr. Edgar. It was a wait worthwhile, I think. From the questions offered by yourself and Mr. Mottl, Mr. Applegate, Mr. Daschle, let me say first it leaves very little for me to say. Second, that we would like to associate ourselves with the concerns raised by you and the others.

I would like to address a couple of things which directly impact upon the membership of our organization. Those are the two 1983 legislative proposals dealing with the elimination of the dependency allowances for veterans rated 30- and 40-percent disabled and elimination of the extra subsistence allowance paid for dependents under rehab. We looked at what these reductions would mean to these veterans in terms of their current payment. We found that for example a veteran rated at 30 percent, with a spouse and two children, attending school, would lose 32 percent of his VA payments currently provided. If the veteran had three children he would lose 36 percent of the income now provided. And if he were rated 40 percent with two children, he would lose approximately 30 percent of his income.

I would point out that Ms. Starbuck said that the category of 30 and 40 percent are not now relying on these benefits and that they are now in the job market. Well, that cannot be true for veteran under voc rehab who does, in fact, rely on his benefits. We are opposed to those—the enactment of that legislation. In addition, no mention was made today of a proposal which will—is included for 1984, which is an offset of certain VA compensation payments by social security benefits and other retirement benefits. We realize that this proposal is for the out year in 1984, as a cost savings proposal, but I want to get on the record now that the DAV is opposed to this measure as well.

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[1] See p. 131.

Mr. JOECKEL. Finally, Mr. Chairman, I would like to say one thing that I think will interest you. When you consider the various proposals contained in this budget, the assessment of a 5-percent fee in the loan guaranty program, elimination of dependency allowances for service-connected veterans, to reduce the subsistence allowance under the vocational-rehabilitation program and failure to fund the small business loan provisions of Public Law 97–72, it can be said that these reductions have the greatest impact on younger veterans who seek to buy homes, who have dependent children, who are attending school and who have special assistance—need special assistance in establishing a business.

Now we would never charge this committee with having done anything other than provide equal benefits to all veterans of all wars, and we hope that you will turn back some of these legislative proposals, particularly those relating to service-connected disabled veterans.

Thank you.

Mr. EDGAR. We appreciate your statement this morning. Do you have any comment about the issue of whether or not the VA Administrator should be part of the Cabinet council or some of the working groups on policy?

Mr. JOECKEL. For a long time the DAV has advocated that the Administrator should be a Cabinet-level official. We think there is, after the last administration and yet to be seen in this administration, that there is a need for the Administrator to deal on par with other Cabinet members and with the President directly, as you pointed out.

Mr. EDGAR. Let me ask you the question about the Public Law 96-466. It made great improvements in the vocational rehabilitation program. It also increased the subsistence level to make that program more comparable with the regular GI bill training, but the proposed budget cuts and subsistence allowances for the vocational rehab countermanded these improvements.

Mr. JOECKEL. Without question in terms of the monetary increase for the two categories of 30 percent and 40 percent it would eliminate the gain, net gain in income they had from the enactment of the legislation. Whether it is going to discourage veterans from participating in vocational rehabilitation programs remains to be seen. But it is our view that it definitely will.

We will have to determine whether or not it is more attractive for veterans to participate under chapter 34 if they still have eligibility. Certainly with the loss of income under the vocational rehabilitation program, if a veteran lost his job and was forced to go back for training, it would be difficult to say whether he would do that in fact or rather just look for another job.

Mr. EDGAR. I hope you will keep this committee informed as we see the implications of the administration's budget proposal on the Disabled American Veterans. We hope you will keep us posted. I am not sure we are going to accept some of these recommendations. We may look for other places to cut or we may face up to the reality that some of these areas cannot in fact be cut.

Mr. JOECKEL. Thank you, Mr. Chairman.

Mr. EDGAR. Thank you for your testimony today.

Our next witness will be the executive director of the Veterans of Foreign Wars and director of National Legislative Services of the Veterans of Foreign Wars. I don't see Cooper Holt here, but Mr. Schwab?

STATEMENT OF DONALD H. SCHWAB, DIRECTOR, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS

Mr. SCHWAB. No, sir, Mr. Holt is tied up in another engagement. I apologize for him not being here. He certainly wanted to be here.

In the interest of time I will summarize my statement.[1]

Mr. EDGAR. Without objection.

Mr. SCHWAB. Mr. Chairman, the President has proposed about $56 billion in cuts in the fiscal year 1983 budget, and $328.6 million of those cuts have been allocated to the VA in ongoing programs. We are pleased, of course, with the increases that have been proposed in the Veterans' Administration budget in the area of medical care, research and the small increase in construction. We don't have a great problem with some of the minor cost-savings proposals.

We do have a big problem with the elimination across the board of additional allowances for dependents of those veterans rated 30- and 40-percent disabled. We have a problem with eliminating the additional allowance for dependents under the vocational rehabilitation program.

We have a problem with nonfunding in certain areas. As Mrs. Heckler pointed out, and as it is addressed in my testimony, the GRECC program, authorized by Public Law 96-330, has never been funded. We believe there is a great need for it.

Also, authorized by Public Law 96-330, the physician's scholarship program has never been funded. The nurse's scholarship program has been funded only in 1982. There are no funds in the 1983 budget. We ask this committee specifically in its report to the Budget Committee to request funding for the nurse's program for 1984 and the outyears so we can get the benefit in the VA system of these registered nurses when they graduate.

Mr. Chairman, it seems that social welfare planners, the dogooders both in and out of the Government, are really laying it on the VA this year. We realize that veterans' benefits can't go wholly unscathed with reductions from the budget that the President recommended and there may be even deeper cuts in the budget.

We object to across-the-board cuts as proposed in the compensation program. When this legislation was considered, we supported granting extra benefits for dependents of those rated 40 percent because of the below-the-knee amputees in that group and those who suffered the enucleation of one eye. We were a little bit surprised when it was dropped down to 30 percent, although some with psychiatric problems, with definite social and industrial impairment are in that 30 percent area.

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[1] The prepared statement of Mr. Schwab appears on p. 140.

I think we have waltzed around several problems here in testimony with the VA and other witnesses. It is a fact we are probably going to have to make some of those cuts in the VA budget that are very painful. This is one of the reasons we said that if we have to go into the keystone of all benefits, the compensation program, it be done on a case-by-case basis. Unfortunately, in our society those with visible and discernible disabilities are prejudiced in employment; they are normally the last to be hired. When they are hired, they are stuck away in the corner somewhere, in a back office. And when it comes time for advancement or consideration for promotion, they are most often overlooked. These people definitely suffer an additional handicap when it comes to employment.

I was a little disturbed this morning when the Administrator made a point of saying that service in the Armed Forces is a responsibility of citizenship, only in different words. When I was in the South Pacific in World War II, it was that way. During the Vietnam conflict we had the eductional deferment, which sent only the poor boys from poor families to Vietnam and those men and women who were really patriotic. President Carter's wholesale pardon of the draft dodgers was unconscionable. These two acts together make a mockery of service in the Armed Services as a responsibility of citizenship. I would like to see it get back to that, but it wasn't that way during the Vietnam conflict.

In closing, Mr. Chairman, let me say I believe the VFW has been responsible in responding to the cuts that were made in the 1982 budget, 1983 budget. We have about reached the limit. We can't have more cuts; we can't have these $328 million in cuts made in various programs and then a reconciliation bill come along and mandate you are going to have to cut another $100 million, $200 million or $300 million in the budget, because at that point I think our membership is just going to rise up.

I will be happy to answer questions you may have, sir.

Mr. Edgar. Thank you. I have no questions at this time. I appreciate your testimony.

Mr. Schwab. Thank you, sir.

Mr. Edgar. Our final witness will be the president of the Association of VA Investigators and Research Administrators, Dr. Herbert Rose.

STATEMENT OF DR. HERBERT G. ROSE, PRESIDENT, ASSOCIATION OF VA INVESTIGATORS AND RESEARCH ADMINISTRATORS, ACCOMPANIED BY DR. IAN E. BUSH, ACOS/R. & D., VA MEDICAL CENTER, WHITE RIVER JUNCTION, VT.

Dr. Rose. Yes, Mr. Chairman. I would like to introduce myself, Dr. Herbert Rose, Associate Chief of Staff for Research and Development, VA Medical Center, Bronx, N.Y., and president of the newly formed Association of VA Investigators and Research Administrators (AVIRA). Dr. Philip K. Bondy, ACOS/R. & D., West Haven, Conn. VA Medical Center is vice president, and Dr. Ian E. Bush, ACOS/R. & D., VA Medical Center, White River Junction, Vt., is secretary-treasurer. Dr. Bush is at my side.

Our organization has 12 regional directors, each of whom represents the VA medical centers within his region.

I have had the privilege of appearing before the committee in the past during my tenure as second national president of the National Association of VA Physicians. I appreciate the opportunity to appear once again to discuss the unfortunate situation of the VA medical research program.

Last November, pursuant to a request from President Reagan for a 12-percent reduction in all Government programs, VA research service funding was reduced to $128 million, or $22.5 million below the initial congressional figure of $151 million. This is a reduction of 15 percent. Assuming a 7.5-percent inflation rate, research service would have needed approximately $142 million to break even. Thus research was forced to operate with a net loss below fiscal year 1981 of about 10 percent.

In contrast, the research program of the Department of Health and Human Services suffered only a 4-percent cutback from their targeted congressional figure. VA patient care and education budgets were exempted.

On November 30, 1981, VA Central Office announced the consequences of this revised budget as follows:

First, all new research programs were stopped, even if favorably reviewed by the peer review process. This included investigator-initiated grants, career-development positions, and special research on agent orange and alcoholism.

Second, no new cooperative studies were to be funded.

Third, start-up funding through regional advisory groups was curtailed.

Fourth, programs approved in the past with low priority scores were called in for re-review.

Fifth, a new category of programs which are approved but not funded, because of low priority score, was created.

Sixth, the phaseout period after disapproval of a grant renewal was reduced to only 3 months at 60 percent of approved level.

Seventh, reductions were made in rehabilitation engineering R. & D. and health services R. & D. funding.

Eighth, local stations were told to absorb three-fourths of their employees' cost-of-living increase for the year.

Ninth, a rigid ceiling was imposed on new hiring.

Tenth, new deadlines were set so that no funding could be provided before October 1982, if then.

To my knowledge, stringencies of this severity are unprecedented in the history of the VA research program. An analogy phrased in terms of the hospital system might be to close the doors to all new admissions until the bed census is reduced by 12 percent through discharges.

For at least the last 6 years, the VA research program has experienced a constant budget in terms of real dollars, in the face of a growing number of hospitals with research programs. In 1970, research funding was nearly 3.5 percent of the hospital system budget. Today it is only 1.9 percent. Research is clearly the weak sister in the triad of patient care, education, and research.

This has been true in the past as it is today, despite the achievements and productivity of the research program. This has been true despite the awarding of two Nobel Prizes to VA scientists in 1977. This has been true despite the manifest contributions of research to VA patient care and clear evidence that the research program helps attract top quality doctors to the VA medical staff.

Does this problem arise simply because research is viewed as an expensive frill that is not essential to patient care or education? It may be that the merits of the VA research program are simply not believed. The prestigious National Academy of Sciences studied the VA research program in 1977 and concluded that the program was in fact excellent and that it did contribute to high-quality patient care.

We can provide many demonstrations supporting both of these conclusions. Perhaps what is needed is a site visit to VA medical centers to witness how research programs function in a hospital, and what investigators are trying to accomplish.

I invite you and your staff to do just that, subject, of course, to approval of center directors. You may be surprised to find how large a number of staff doctors in VA medical centers not only engage in patient care and teaching of house staff, but also participate in research projects.

Research is part of the business of a VA medical center. At my hospital, the Bronx VA Medical Center, 73 percent of the clinical staff in our four major services—medicine, surgery, psychiatry, and laboratory service—participate in research projects. These projects are designed to improve diagnostic accuracy, find better ways to treat disease, and to increase understanding of the mechanisms of disease.

Patients benefit as a result and doctors enjoy the gratification of trying to solve difficult problems, and the gratification of making contributions to better medical care. Of the staff doctors at my medical center, 35 percent have sufficient training and ability to obtain funding for their research activities. Most of this funding is from the VA, through merit reviews, cooperative studies, or special programs. Another 10 percent plan to seek support in the future.

The basis for these figures is a survey which we conducted on staff involvement in research which I have appended to this statement and ask that it be entered into the record.[1] This survey demonstrated just how extensive is medical staff involvement in research. The figures are even more impressive when you consider that my medical center is not strongly university affiliated. That so many physicians can obtain research funding is a testimonial to their commitment to medical research.

Doctors, after years of clinical training, devote extra years to training in research laboratories in order to compete in a wild scramble for uncertain support. They spend innumerable afterwork hours drafting grant proposals only to be told their proposal is great, but there is no money this year. But the VA promised them in its recruitment literature that VA centers offered opportunities to participate in research.

They do not ask for a handout. There is no entitlement program giving research grants to staff doctors. They ask for a chance to compete for modest support with a reasonable expectation of success. They receive no extra pay for their efforts and if the research program collapses tomorrow, they would not be out of a job. This desire to do research from some of the brightest and most capable doctors in the hospital system is of enormous value to the VA, its patients, and to the medical research community. It ought to be encouraged.

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[1] See p. 150.

The cost involved is small but the yield large. It need come as no surprise if the reaction of VA staff to the research cutbacks is one of disillusionment and disappointment. They had hoped for better understanding from Washington. Speaking for the VA investigators and research administrators, I ask that your committee consider the consequences of these disastrous cuts and restore funding to the level originally intended by this committee and the Congress. I thank you for your time.[1]

Mr. **Edgar**. Thank you very much for your very articulate statement on this issue. The choir this morning is very small, but in fact your statement is, in essence, preaching to the choir.

You must be aware that last year the House adopted a conference agreement and sent to the Senate a funding level of $152 million for research. That agreement failed because the administration insisted on a level of $128 million. It seems to me that your problems are really with the administration, and I think your statement is very clear and very strong. Somehow we have to hope that Mr. Nimmo and David Stockman and Ronald Reagan hear the comments that you have made.

The fact is that not only have we won Nobel Prizes for research but that research is very important to our future of quality health care system within the Veterans' Administration. It seems to me you have a lot of homework to do, along with us, in convincing the administration that you are right and they are wrong, that the dollars spent on research are dollars well spent. It is going to be a difficult task as long as we are carrying $100 billion deficits and the interest rates that we are carrying. It is going to be a difficult process when we see research and development funds cut throughout the budget in other important areas of concern to members of this committee.

But I am sure our chairman, Mr. Montgomery, and others will join with you in trying to protect the research dollars this year and trying to make sure that adequate funding is provided in that area. But I don't think the complaint or argument is with this committee at this point. I think the concern is getting the administration to feel as strongly as you do about the research commitment.

I appreciate your testimony. I don't have any specific questions. I agree with your statement, and I hope that the other members who are not here have a chance to read your statement.

Dr. **Rose**. Thank you very much.

Mr. **Edgar**. Thank you for your participation.

The hearing now stands adjourned.

[Whereupon, at 12:22 p.m., the committee was adjourned, to reconvene subject to the call of the Chair.]

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[1] The prepared statement of Dr. Rose appears on p. 144.

APPENDIX

97th CONGRESS
1st Session

H. R. 4326

[Report No. 97–349, Part I]

To amend the Small Business Act to strengthen the role of the small, innovative firms in federally funded research and development, and to utilize Federal research and development as a base for technological innovation to meet agency needs and to contribute to the growth and strength of the Nation's economy.

IN THE HOUSE OF REPRESENTATIVES

July 29, 1981

Mr. LaFalce introduced the following bill; which was referred to the Committee on Small Business

November 20, 1981

Additional sponsors: Mr. Mitchell of Maryland, Mr. Smith of Iowa, Mr. Addabbo, Mr. Gonzalez, Mr. Bedell, Mr. Richmond, Mr. Nowak, Mr. Luken, Mr. Ireland, Mr. Skelton, Mr. Evans of Georgia, Mr. Stenholm, Mr. Mazzoli, Mr. Mavroules, Mr. Crockett, Mr. Hatcher, Mr. Wyden, Mr. Eckart, Mr. Dorgan of North Dakota, Mr. Savage, Mr. Roemer, Mr. Fary, Mr. McDade, Mr. Conte, Mr. Stanton of Ohio, Mr. Broomfield, Mr. Marriott, Mr. Williams of Ohio, Mrs. Snowe, Mr. Daniel B. Crane, Mr. Hiler, Mr. Staton of West Virginia, Mr. Weber of Minnesota, Mr. Daub, Mr. Smith of New Jersey, Mr. Weber of Ohio, Mr. Dreier, Mr. Molinari, Mr. Siljander, Mr. Akaka, Mr. Atkinson, Mr. Barnard, Mr. Barnes, Mr. Bevill, Mr. Bonker, Mr. Bowen, Mr. Brown of Ohio, Mr. Clay, Mr. Clinger, Mr. Coelho, Mr. Corrada, Mr. D'Amours, Mr. Daschle, Mr. Dixon, Mr. Dunn, Mr. Dwyer, Mr. Edgar, Mr. Fauntroy, Ms. Ferraro, Mr. Fish, Mr. Foglietta, Mr. Ford of Tennessee, Mr. Frank, Mr. Gejdenson, Mr. Gingrich, Mr. Glickman, Mr. Green, Mr. Hansen of Utah, Mr. Horton, Mr. Hoyer, Mr. Hughes, Mr. Kildee, Mr. Kogovsek, Mr. Lantos, Mr. Leach of Iowa, Mr. Lewis, Mr. Lowery of California, Mr. Lundine, Mr. McHugh, Mr. McKinney, Mr. Madigan, Mr. Markey, Mr. Marks, Mr. Martin of New York, Mrs. Martin of Illinois, Mr. Mica, Ms. Mikulski, Mr. Montgomery, Mr. Murphy, Mr. Neal, Mr. Nelligan, Mr. Patterson, Mr. Porter, Mr. Pritchard, Mr. Rahall, Mr. Railsback, Mr. Rodino, Mr.

Roe, Mr. Roth, Mr. Seiberling, Mr. Solomon, Mr. Stangeland, Mr. Sunia, Mr. Vento, Mr. Weaver, Mr. Wilson, Mr. Wirth, Mr. Wolpe, Mr. Won Pat, Mr. Wortley, Mrs. Collins of Illinois, Mr. Fazio, Mr. Mitchell of New York, Mr. Dyson, Mr. Stokes, Mr. Myers, and Mr. Coats

November 20, 1981

Reported with an amendment and referred to the Committee on Armed Services, to the Committee on Energy and Commerce and to the Committee on Science and Technology for a period ending not later than March 1, 1982, for consideration of such portions of the bill and amendment as fall within the jurisdiction of those committees under clause 1(c), 1(h), and 1(r), rule X respectively

[Strike out all after the enacting clause and insert the part printed in italic]

A BILL

To amend the Small Business Act to strengthen the role of the small, innovative firms in federally funded research and development, and to utilize Federal research and development as a base for technological innovation to meet agency needs and to contribute to the growth and strength of the Nation's economy.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

~~Section 1. This Act may be cited as the "Small Business Innovation Development Act of 1981".~~

~~Sec. 2. (a) The Congress finds that—~~

~~(1) technological innovation creates jobs, increases productivity, competition, and economic growth, and is a valuable counterforce to inflation and the United States balance-of-payments deficit; and~~

~~(2) while small business is the principal source of significant innovations in the Nation, the vast majority of federally funded research and development is conducted by large businesses, universities, and Government laboratories.~~

~~(b) Therefore, the purposes of this Act are—~~

~~(1) to stimulate technological innovation;~~

~~(2) to use small businesses to meet Federal research and development needs; and~~

~~(3) to increase private sector commercialization of innovations derived from Federal research and development.~~

~~SEC. 3. Section 9(b) of the Small Business Act is amended—~~

~~(1) by striking out "and" at the end of clause (2);~~

~~(2) by striking out the period at the end of clause (3) and inserting in lieu thereof "; and"; and~~

~~(3) by adding at the end thereof the following:~~

~~"(4) to develop and maintain a source file and an information program to assure each qualified and interested small business concern the opportunity to participate in Federal agency small business innovation research programs;~~

~~"(5) to coordinate with participating agencies a schedule for release of SBIR solicitations, and to pre-~~

~~pare a master release schedule so as to maximize small businesses opportunities to respond to solicitations;~~

~~"(6) to independently survey and monitor the operation of SBIR programs within participating Federal agencies; and~~

~~"(7) to report annually to the Committee on Small Business of the Senate and the Committee on Small Business of the House of Representatives on the SBIR programs of the Federal agencies and the Administration's information and monitoring efforts related to the SBIR programs.".~~

~~SEC. 4. Section 9 of the Small Business Act is amended by adding at the end thereof the following new subsections:~~

~~"(e) For the purpose of this section—~~

~~"(1) the term 'Federal agency' means an executive agency as defined in section 105 of title 5, United States Code, or a military department as defined in section 102 of such title;~~

~~"(2) the term 'funding agreement' means any contract, grant, or cooperative agreement entered into between any Federal agency and any small business for the performance of experimental, developmental, or research work funded in whole or in part by the Federal Government;~~

~~"(3) the term 'Small Business Innovation Research program' or 'SBIR' means a program under which a portion of a Federal agency's research or research and development effort is reserved for award to small business concerns through a simplified, standardized acquisition process having a first phase for determining, insofar as possible, the technical and economic feasibility of ideas proposed under the program, and a second phase, the awarding of which shall take into consideration the potential commercial applications of the research or research and development, to further develop the proposed idea to meet the particular agency needs; and a third phase where private capital pursues commercial applications of the research or research and development; phase three may also involve follow-on production contracts with some agencies for products or processes intended for use by the United States Government; and~~

~~"(4) the term 'research' or 'research and development' means any activity which is (A) a systematic study directed toward fuller scientific knowledge of the subject studied; (B) a systematic study directed specifically toward applying new scientific knowledge to meet a recognized need; or (C) a systematic application of new scientific knowledge toward production of useful~~

~~materials, devices, and systems or methods, including design, development, and improvement of prototypes and new processes to meet specific requirements. Such term does not include studies related to the social sciences or the humanities.~~

~~"(f) Each Federal agency which has a research or research and development budget in excess of $100,000,000 for any fiscal year beginning with fiscal year 1982 shall expend not less than 1 per centum of such budget for fiscal year 1982, and not less than 2 per centum for all subsequent fiscal years with small business concerns specifically in connection with a small business innovation research program which meets the requirements of this Act and regulations issued hereunder. Funding agreements with small business concerns for research or research and development which result from competitive or single source selections other than under a small business innovation research program shall not be counted as meeting any portion of the percentage requirements of this section.~~

~~"(g) Each Federal agency required by subsection (f) to establish a small business innovation research program shall in accordance with this Act and regulations issued hereunder—~~

~~"(1) establish an agency small business innovation research program;~~

~~"(2) determine categories of projects to be in its SBIR program;~~

~~"(3) issue small business innovation research solicitations in accordance with a schedule determined cooperatively with the Small Business Administration;~~

~~"(4) receive and evaluate proposals resulting from SBIR proposals;~~

~~"(5) select awardees for its SBIR funding agreements;~~

~~"(6) administer its own SBIR funding agreements (or delegate such administration to another agency);~~

~~"(7) make payments to recipients of SBIR funding agreements on the basis of progress toward or completion of the funding agreement requirements; and~~

~~"(8) make an annual report on the SBIR program to the Small Business Administration.~~

~~"(h) In addition to the requirements of subsection (f), each Federal agency which has a budget for research or research and development in excess of $20,000,000 for any fiscal year beginning with fiscal year 1982 shall establish goals specifically for funding agreements for research or research and development to small business concerns, and no goal established under this subsection shall be less in actual dollars than the amount of research or research and development awards made to small businesses in 1981.~~

~~"(i) Each Federal agency required by this section to have an SBIR program or to establish goals shall report annually to the Small Business Administration the number of awards pursuant to grants, contracts, or cooperative agreements over $10,000 in amount and the dollar value of all such awards, identifying SBIR awards and comparing the number and amount of such awards with awards to other than small business concerns.~~

~~"(j)(1) The Administrator of the Office of Federal Procurement Policy, in conjunction with the Small Business Administration, shall promulgate and issue appropriate regulations, in accordance with the provisions of subsections (f), (g), and (h) and within one hundred and twenty days after the date of enactment of the Small Business Innovation Research Act of 1981, for conduct of small business innovation research programs within the Federal Government. Such regulations shall—~~

~~"(A) provide for simplified standardized and timely SBIR solicitations, proposals, and evaluation processes; and~~

~~"(B) require Federal agencies to coordinate SBIR solicitation release schedules with the Small Business Administration.~~

~~"(2) The National Science Foundation and the Small Business Administration shall furnish the Administrator of~~

~~the Office of Federal Procurement Policy advice and assistance in the promulgation of regulations under this section.".~~

~~SEC. 5. The amendments made by this Act do not authorize the appropriation of funds.~~

SECTION 1. This Act may be cited as the "Small Business Innovation Development Act of 1981".

SEC. 2. (a) The Congress finds that—

(1) technological innovation creates jobs, increases productivity, competition, and economic growth, and is a valuable counterforce to inflation and the United States balance-of-payments deficit;

(2) while small business is the principal source of significant innovations in the Nation, the vast majority of federally funded research and development is conducted by large businesses, universities, and Government laboratories; and

(3) small businesses are among the most cost-effective performers of research and development and are particularly capable of developing research and development results into new products.

(b) Therefore, the purposes of this Act are—

(1) to stimulate technological innovation;

(2) to use small businesses to meet Federal research and development needs; and

(3) to increase private sector commercialization innovations derived from Federal research and development.

SEC. 3. Section 9(b) of the Small Business Act is amended—

(1) by striking out "and" at the end of paragraph (2);

(2) by striking out the period at the end of paragraph (3) and inserting in lieu thereof "; and"; and

(3) by adding at the end thereof the following:

"(4) to develop and maintain a source file and an information program to assure each qualified and interested small business concern the opportunity to participate in Federal agency small business innovation research programs;

"(5) to coordinate with participating agencies a schedule for release of SBIR solicitations, and to prepare a master release schedule so as to maximize small businesses' opportunities to respond to solicitations;

"(6) to independently survey and monitor the operation of SBIR programs within participating Federal agencies; and

"(7) to report not less than annually to the Committee on Small Business of the Senate and the Committee on Small Business of the House of Representa-

tives on the SBIR programs of the Federal agencies and the Administration's information and monitoring efforts related to the SBIR programs.".

SEC. 4. Section 9 of the Small Business Act is amended by adding at the end thereof the following new subsections:

"(e) For the purpose of this section—

"(1) the term 'Federal agency' means an executive agency as defined in section 105 of title 5, United States Code, or a military department as defined in section 102 of such title;

"(2) the term 'funding agreement' means any contract, grant, or cooperative agreement entered into between any Federal agency and any small business for the performance of experimental, developmental, or research work funded in whole or in part by the Federal Government;

"(3) the term 'Small Business Innovation Research Program' or 'SBIR' means a program under which a portion of a Federal agency's research or research and development effort is reserved for award to small business concerns through a uniform process having—

"(A) a first phase for determining, insofar as possible, the scientific and technical merit and

feasibility of ideas submitted pursuant to SBIR program solicitations;

"(B) a second phase to further develop the proposed ideas to meet the particular program needs, the awarding of which shall take into consideration the scientific and technical merit and feasibility evidenced by the first phase and, where two or more proposals are evaluated as being of approximately equal scientific and technical merit and feasibility, special consideration shall be given to those proposals that have demonstrated third phase, non-Federal capital commitments; and

"(C) where appropriate, a third phase in which non-Federal capital pursues commercial applications of the research or research and development and which may also involve follow-on production contracts with a Federal agency for products or processes intended for use by the United States Government; and

"(4) the term 'research' or 'research and development' means any activity which is (A) a systematic, intensive study directed toward greater knowledge or understanding of the subject studied; (B) a systematic study directed specifically toward applying new knowl-

edge to meet a recognized need; or (C) a systematic application of knowledge toward the production of useful materials, devices, and systems or methods, including design, development, and improvement of prototypes and new processes to meet specific requirements.

"(f) Each Federal agency which has a research or research and development budget in excess of $100,000,000 for fiscal year 1982, or any fiscal year thereafter, shall expend not less than 0.5 per centum of such budget in fiscal year 1982 or in such subsequent fiscal year as the agency has such budget, not less than 1 per centum of such budget in the second fiscal year thereafter, not less than 2 per centum of such budget in the third fiscal year thereafter, and not less than 3 per centum of such budget in all subsequent fiscal years with small business concerns specifically in connection with a small business innovation research program which meets the requirements of the Small Business Innovation Development Act of 1981 and regulations issued thereunder. Funding agreements with small business concerns for research or research and development which result from competitive or single source selections other than under a small business innovation research program shall not be counted as meeting any portion of the percentage requirements of this section.

"(g) Each Federal agency required by subsection (f) to establish a small business innovation research program shall, in accordance with this Act and regulations issued hereunder—

"(1) unilaterally determine categories of projects to be in its SBIR program;

"(2) issue small business innovation research solicitations in accordance with a schedule determined cooperatively with the Small Business Administration;

"(3) unilaterally receive and evaluate proposals resulting from SBIR proposals;

"(4) unilaterally select awardees for its SBIR funding agreements;

"(5) administer its own SBIR funding agreements (or delegate such administration to another agency);

"(6) make payments to recipients of SBIR funding agreements on the basis of progress toward or completion of the funding agreement requirements; and

"(7) make an annual report on the SBIR program to the Small Business Administration and the Office of Science and Technology Policy.

"(h) In addition to the requirements of subsection (f), each Federal agency which has a budget for research or research and development in excess of $20,000,000 for any

fiscal year beginning with fiscal year 1982 or subsequent fiscal year shall establish goals specifically for funding agreements for research or research and development to small business concerns, and no goal established under this subsection shall be less than the percentage of the agency's research or research and development budget expended under funding agreements with small business concerns in the immediately preceding fiscal year.

"(i) Each Federal agency required by this section to have an SBIR program or to establish goals shall report annually to the Small Business Administration the number of awards pursuant to grants, contracts, or cooperative agreements over $10,000 in amount and the dollar value of all such awards, identifying SBIR awards and comparing the number and amount of such awards with awards to other than small business concerns.

"(j) The Small Business Administration, after consultation with the Administrator of the Office of Federal Procurement Policy, the Director of the Office of Science and Technology Policy, and the Intergovernmental Affairs Division of the Office of Management and Budget, shall, within one hundred and twenty days of the enactment of the Small Business Innovation Development Act of 1981, issue policy directives for the general conduct of the SBIR programs within the Federal Government, including providing for—

"(1) simplified, standardized, and timely SBIR solicitations;

"(2) a simplified, standardized funding process which provides for (A) the timely receipt and review of proposals; (B) outside peer review for at least phase two proposals; (C) protection of proprietary information provided in proposals; (D) selection of awardees; (E) retention of rights in data generated in the performance of the contract by the small business concern; (F) transfer of title to property provided by the agency to the small business concern if such a transfer would be more cost effective than recovery of the property by the agency; (G) cost sharing; and (H) cost principles and payment schedules;

"(3) exemptions from the regulations under paragraph (2) if national security or intelligence functions clearly would be jeopardized;

"(4) minimizing regulatory burden associated with participation in the SBIR program for the small business concern which will stimulate the cost-effective conduct of Federal research and development and the likelihood of commercialization of the results of research and development conducted under the SBIR program; and

"(5) simplified, standardized, and timely annual report on the SBIR program to the Small Business Administration and the Office of Science and Technology Policy.

"(k) The Director of the Office of Science and Technology Policy, in consultation with the Federal Coordinating Council for Science, Engineering and Research, shall, in addition to such other responsibilities imposed upon him by the Small Business Innovation Development Act of 1981—

"(1) independently survey and monitor all phases of the implementation and operation of SBIR programs within agencies required to establish an SBIR program, including compliance with the expenditures of funds according to the requirements of subsection (f) of this section; and

"(2) report not less than annually, and at such other times as the Director may deem appropriate, to the Committees on Small Business of the Senate and the House of Representatives on all phases of the implementation and operation of SBIR programs within agencies required to establish an SBIR program, together with such recommendations as the Director may deem appropriate.".

AMENDMENT RECOMMENDED BY THE SUBCOMMITTEE ON HOSPITALS AND HEALTH CARE TO H.R. 4326, AS REPORTED BY THE COMMITTEE ON SMALL BUSINESS

Page 13, line 6, insert ''(1)'' after ''(f)''.

Page 13, after line 24, add the following new paragraph:

''(2) In determining the amount of a Federal agency's research or research and development budget for any fiscal year for the purposes of paragraph (1), expenditures by the agency for research or research and development activities conducted by employees of the agency in or through Government-owned, Government-operated facilities shall be excluded.

VETERANS ADMINISTRATION

STATEMENT BY
ROBERT P. NIMMO, ADMINISTRATOR

FY 1983 BUDGET HEARINGS

Mr. Chairman, it is a pleasure to be here today, to discuss the Veterans Administration's FY 1983 budget with the members of this Committee.

The VA budget while supportive of President Reagan's objectives of reduced Federal spending is a favorable budget for veterans. It will continue to provide quality medical care; priority medical research; an increase over 1982 of more than $100 million for construction; an increase in total Veterans Administration employment; and, an 8.1% cost-of-living increase in compensation for disabled veterans.

The 1983 Budget Authority request transmitted to the Congress on February 8, 1982, consists of $24.1 billion for appropriations, including savings of $234 million that will require new legislation. Proposed legislation costing $776 million and permanent authorizations estimated at $727 million produce a total budget authority request of $25.6 billion for FY 1983.

Average employment for 1983 in VA is estimated to increase by 955 to a level of 218,420. A 1,167 increase for the Department of Medicine and Surgery is primarily for workload increases for four new nursing homes, one new outpatient clinic and expansion and relocation of five existing clinics. A 218 reduction in the Department of Veterans Benefits is primarily due to reduced education workloads.

The total budget reflects a policy on veterans benefits similar to the past several requests to the Congress. VA medical program funding increases slightly with additional employment for a few new or expanded medical services; benefit programs inlcude a cost-of-living adjustment for compensation; and construction funding is increased consistent with the needs of the medical system.

Mr. Conrad R. Hoffman, Assistant Deputy Administrator for Budget and Finance has a viewgraph presentation of the 1983 budget with more detailed budget data, after which, we will be prepared to respond to any questions you may have.

Veterans
Administration

FY 1983 Budget

Assistant Deputy Administrator
for Budget and Finance

MARCH 1, 1982

VETERANS ADMINISTRATION
1983 BUDGET REQUEST

- OUR 1983 APPROPRIATIONS REQUEST TOTALS $24.1 BILLION
- THIS IS AN INCREASE OF $86 MILLION OVER OUR 1982 APPROPRIATION
- THE 1983 APPROPRIATION REQUEST INCLUDES A REDUCTION OF $234 MILLION IN LEGISLATIVE PROPOSALS WHICH RESULT IN SAVINGS.
- PROPOSED LEGISLATION NOT INCLUDED IN THE REQUEST OF $776 MILLION BRINGS THE TOTAL REQUIRING ACTION BY CONGRESS TO $24.9 BILLION
- PERMANENT AUTHORIZATIONS + OFFSETTING RECEIPTS ADD $727 MILLION FOR TOTAL BUDGET AUTHORITY OF $25.6 BILLION
- PAY RAISE COSTS: 1982 DOES NOT INCLUDE $175.3 MILLION FOR THE OCTOBER 1, 1981 PAYRAISE. THE ANNUALIZED COST FOR 1983 OF $196.7 MILLION IS INCLUDED.
- IF THE ADJUSTMENTS ARE MADE TO MAKE THE TWO REQUESTS COMPARABLE, THE REQUEST IS $145 MILLION HIGHER
- TOTAL OUTLAYS FOR 1983, $24.4 BILLION, UP $222 MILLION.

Veterans Administration

2

Proposed Legislation

(In thousands of dollars)

	Budget Authority	
	1982	1983
Compensation:		
• DELAY PAYMENT TO FIRST FULL MONTH OF ENTITLEMENT	$-1,000	$- 9,000*
• AMEND END-OF-YEAR RULE TO END-OF-MONTH	...	- 1,400*
• ELIMINATE DEPENDENCY ALLOWANCE FOR VETS RATED LESS THAN 50% DISABLED	...	-135,300*
• COST OF LIVING INCREASE OF 8.1% (10-1-82)	...	+771,000
Pensions:		
• ISSUE BENEFITS CHECKS IN EVEN DOLLARS	-1,400	- 10,800*
• DELAY PAYMENT TO FIRST FULL MONTH OF ENTITLEMENT	-2,400	- 19,800*
• AMEND END-OF-YEAR RULE TO END-OF-MONTH	...	- 1,800*
• AMEND DEFINITION OF DEPENDENT CHILD	...	- 30,300*
Readjustment Benefits:		
• ELIMINATE CORRESPONDENCE TRAINING	...	- 5,600*
• ELIMINATE SUBSISTENCE ALLOWANCE FOR VOCATIONAL REHABILITATION DEPENDENTS	...	- 19,700*

Veterans Administration

3

Proposed Legislation, CONT'D.

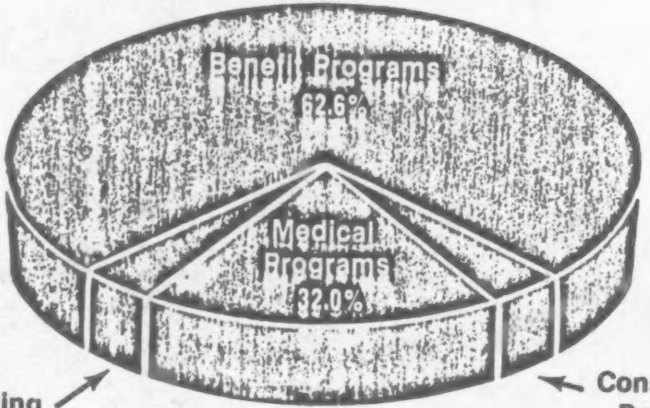
(In thousands of dollars)

	Budget Authority	
	1982	1983
General Operating Expenses:		
• ELIMINATE THE INSPECTION OF VOCATIONAL REHABILITATION INSTITUTIONS THAT INSURES 50% OR MORE OF VETERANS ARE EMPLOYED IN FIELD OF TRAINING	...	− 223*
• AUTHORIZE PAYMENT FOR CONSTRUCTION OF SAFETY IMPROVEMENTS ON LAND ADJACENT TO NATIONAL CEMETERY ENTRANCES	+ 100	+ 100
Medical Care:		
• ELIMINATION OF CONSTRUCTION AND OPERATION OF GARAGE AND PARKING FACILITIES REVOLVING FUND AND DIRECT APPROPRIATION TO THE MEDICAL CARE ACCOUNT.....	...	+ 4,692
Proposed legislation (receipts):		
Proprietary receipts from the public:		
• LEGISLATION WILL BE PROPOSED TO ESTABLISH A ½ OF 1 PERCENT LOAN PROCESSING FEE IN 1983. IT IS EXPECTED THAT THIS WILL PRODUCE $94.6 MILLION IN RECEIPTS. THIS INCOME WILL BE DEPOSITED IN THE GENERAL FUND OF THE TREASURY AS A VA PROPRIETARY RECEIPT..	...	− 94,640
Total Proposed Legislation	$-4,700	$+447,229
Total Proposed Legislation included in Appropriations Request ...	...	($−233,923)*

4

Veterans Administration

1983 Appropriation Request

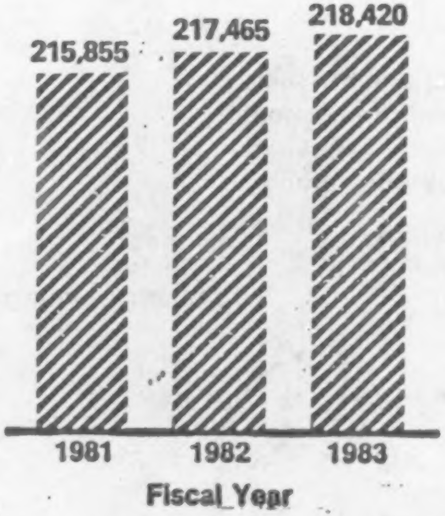


Distribution by Major Programs
(In Millions of Dollars)

General Operating Expenses	$ 693
Benefit Programs	15,106
Medical Programs	7,708
Construction Programs	611
Total, VA	$24,118

AVERAGE EMPLOYMENT

5



Dept. of Medicine and Surgery	+1,167
Dept. of Veterans Benefits	-218
Dept. of Memorial Affairs	+ 4
Office of Construction	- 16
Office of Data Management & Telecommunications	- 14
General Administration and Other	+ 67
Supply Service	- 35
Total VA	+955

- THE BUDGET PROVIDES FOR EMPLOYMENT OF 218,420 IN 1983. THIS IS AN INCREASE OF 955 FROM THE CURRENT AVAILABILITY FOR 1982.

- DEPARTMENT OF MEDICINE AND SURGERY INCREASE IS PRIMARILY FOR WORKLOAD INCREASES IN NEW FACILITIES AND OTHER PROGRAMS; FOUR NEW NURSING HOMES, ONE NEW OUTPATIENT CLINIC AND EXPANSION OR RELOCATION OF FIVE EXISTING CLINICS.

- THE DEPARTMENT OF VETERANS BENEFITS REDUCTION OF 204 IS PRIMARILY DUE TO REDUCED EDUCATION WORKLOADS AND STATE APPROVAL AGENCY COSTS.

6

COMPENSATION (6A)

- THE 1983 REQUEST OF $10.1 BILLION INCLUDES THE $771 MILLION COST-OF-LIVING INCREASE OF 8.1% AND PROPOSED SAVINGS LEGISLATION OF $145.7 MILLION.
- WITH THESE PROPOSALS, THE APPROPRIATION REQUEST IS UP $542 MILLION. ALONG WITH AN INCREASE IN AVERAGE PAYMENTS, THERE IS AN INCREASE IN VETERAN CASELOAD OF 2.3 MILLION.

PENSIONS (6B)

- THE CHART SHOWS A REQUEST FOR $3.9 BILLION FOR 1983. THIS INCLUDES, UNDER EXISTING LAW, AN 8.1% RATE INCREASE EFFECTIVE JUNE 1, 1982, AND A PROJECTED 6.5% INCREASE EFFECTIVE JUNE 1, 1983. THE COMBINED EFFECTS OF THESE TWO INCREASES ADDED $245.1 MILLION TO THE 1983 REQUEST.
- PROJECTED AVAILABILITY OF $111.9 MILLION FROM 1982 APPROPRIATIONS.
- TOTAL CASELOAD IS DECLINING AS TERMINATIONS FROM PRIOR LAWS ARE NOT OFFSET BY ACCESSIONS UNDER THE IMPROVED PENSION LAW WHICH HAS A MORE STRINGENT INCOME TEST.

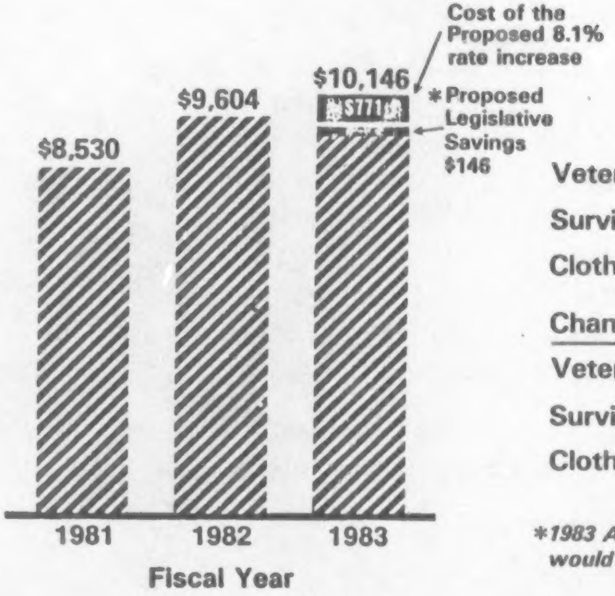
(6A)

Veterans Administration

Compensation

(Appropriations in millions)

Up $542



	Caseload	Average Payment
Veterans	2,290,400	$3,647
Survivors	353,570	5,290
Clothing Allowance	70,000	329
Change from 1982		
Veterans	+ 6,550	+ 230
Survivors	- 830	+ 429
Clothing Allowance	+ 1,000	+ 30

***1983 Appropriation without the 8.1% rate increase would be $9.4 billion.**

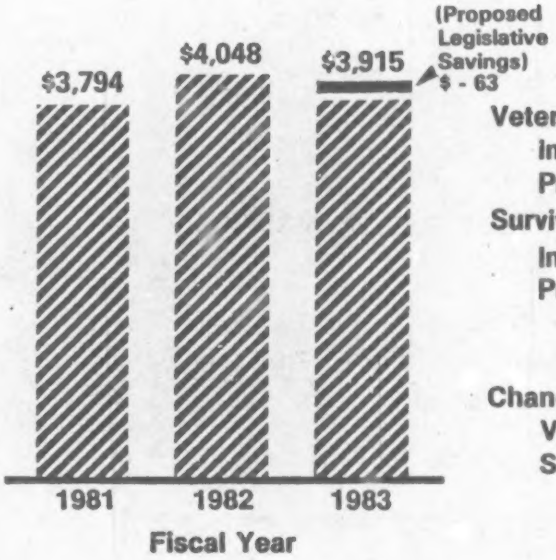
Veterans Administration

(6B)

Pensions

(Appropriations in millions)

Down $133



	Caseload	Average Payment
Veterans	820,000	$3,218
Improved Law	411,000	4,893
Prior Laws	409,000	1,534
Survivors	943,000	1,472
Improved Law	228,000	3,330
Prior Laws	715,000	880
Total	1,763,000	2,284
Change from 1982:		
Veterans	-31,000	$+241
Survivors	-52,000	+ 51
Total	-83,000	$+146

BURIAL BENEFITS AND MISCELLANEOUS ASSISTANCE 7

- APPROPRIATION REQUESTED FOR 1983 IS $141 MILLION. .... DOWN $6 MILLION
- THE RECONCILIATION ACT OF 1981, P.L. 97-35, ENACTED AUGUST 13, 1981, RESTRICTED THE $300 BURIAL ALLOWANCE TO THOSE VETERANS IN RECEIPT OF, OR ENTITLED TO, VA COMPENSATION OR PENSION.
- THIS ACTION IS ESTIMATED TO REDUCE BURIAL OUTLAYS BY $81.2 MILLION IN 1983. IMPACT IN 1982: $-75 MILLION

READJUSTMENT BENEFITS (7A)

- APPROPRIATION REQUESTED FOR 1983 IS $1.7 BILLION. .... DOWN $279 MILLION
- GI BILL BENEFITS CONTINUE TO DECLINE. THIS REDUCTION REFLECTS THE DECREASE IN THE NUMBER OF ELIGIBLE VETERANS AS MORE VETERANS REACH THEIR DELIMITING DATE OR THEIR EDUCATIONAL GOALS.
- POST-VIETNAM-ERA PEACETIME TRAINING PROGRAM FUNDING HAS BEEN TRANSFERRED TO DOD EFFECTIVE JANUARY 1, 1982. THIS IS PROVIDED FOR IN 38 U.S.C. CHAPTER 32.
- VA WILL CONTINUE TO ADMINISTER THE PROGRAM THROUGH THE TRUST FUND ESTABLISHED FOR THIS PURPOSE.

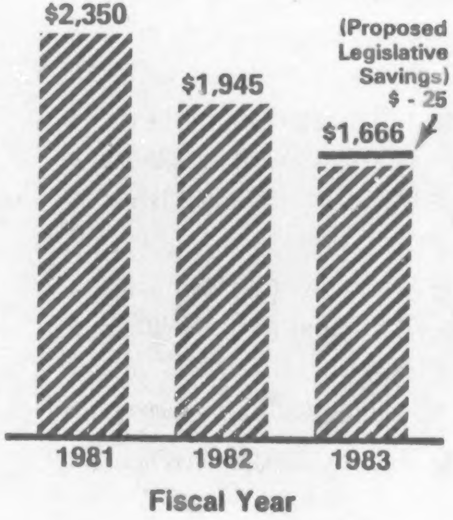
Veterans Administration

(7A)

Readjustment Benefits

(Appropriations in millions)

Down $279



	Caseload	Average Payment
Vietnam Era	692,100	$1,932
Dependents	89,480	2,238
Rehabilitation	30,040	3,330
Housing Grants	840	21,369
Auto Grants	650	4,400
Change from 1982		
Vietnam Era	-149,900	$+2
Dependents	- 2,420	+3
Rehabilitation	+ 340	- 595

8

GENERAL OPERATING EXPENSES (8A)

APPROPRIATION REQUEST FOR 1983 IS $693.4 BILLION .... UP $53.3 MILLION

FTE AVERAGE EMPLOYMENT TOTALS 21,232 .... DOWN 161

DVB

- EMPLOYMENT DOWN IN EDUCATION AND LOAN GUARANTY SERVICES AS WORKLOAD DECLINES,
- COSTS INCREASES ARE NON-PROGRAMMATIC - PAY RAISE AND SPACE RENTAL.

DMA

- BURIALS UP BY 2,000 TO 45,000 IN 1983.
- TWO NEW REGIONAL CEMETERIES - INDIANTOWN GAP AND QUANTICO.
- STAFFING ESSENTIALLY HELD CONSTANT (+4).

ODM&T

- NO MAJOR ADP PURCHASES PROPOSED IN 1983 ODM&T BUDGET, THE MEDICAL CARE BUDGET HAS $11 MILLION FOR MINI-COMPUTERS FOR MEDICAL SYSTEMS.
- AUSTIN DPC EQUIPMENT UNDER EVALUATION FOR FUTURE REPLACEMENT.
- INSURANCE SYSTEM REDESIGN IS BEING CONTINUED TOWARD A 1984 IMPLEMENTATION.

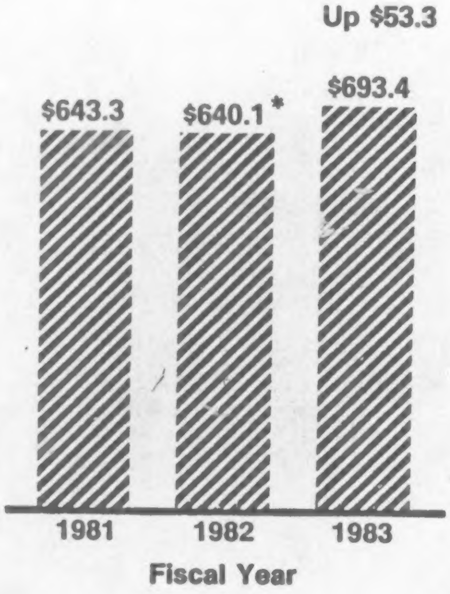
GENERAL ADMINISTRATION

- CALM - ACCOUNTING SYSTEM CONVERSION FOR 43 MEDICAL FACILITIES WITH NET AGENCY STAFFING AND FUNDING SAVINGS.
- INSPECTOR GENERAL EXPANSION TO TWO NEW FIELD OFFICES, DALLAS AND SEATTLE, FOR A TOTAL OF 8.

Veterans
Administration

8A

General Operating Expenses
(Budget Authority in millions)



Average Employment Down 161

Major Funding Changes

● Dept. of Veterans Benefits	+ 27.0
● Dept. of Memorial Affairs	+ 4.8
● Data Mgmt. and Telecomm.	+ 1.5
● General Administration	+ 20.0

9

MEDICAL PROGRAM FUNDING

MEDICAL CARE (9A)

- 1983 REQUEST IS $7.5 BILLION, UP $530 MILLION OVER 1982.
- AVERAGE EMPLOYMENT WILL INCREASE BY 1,259 TO TOTAL 187,546.
- MOST OF THE INCREASE IS FOR PAY AND INFLATION-RELATED COSTS.

MEDICAL AND PROSTHETIC RESEARCH (9B)

- THE 1983 REQUEST OF $137.8 MILLION EXCEEDS 1982 LEVEL BY $9.6 MILLION.
- AVERAGE EMPLOYMENT WILL DECREASE 199 TO A LEVEL OF 3,914.
- RESOURCES AT THIS LEVEL WILL CONTINUE TO SUPPORT:
  - COOPERATIVE STUDIES AND CAREER DEVELOPMENT PROGRAMS
  - HIGH PRIORITY MEDICAL RESEARCH PROGRAMS
  - RESEARCH AT 129 VA MEDICAL CENTERS.

MEDICAL ADMINISTRATION AND MISCELLANEOUS OPERATING EXPENSES (9C)

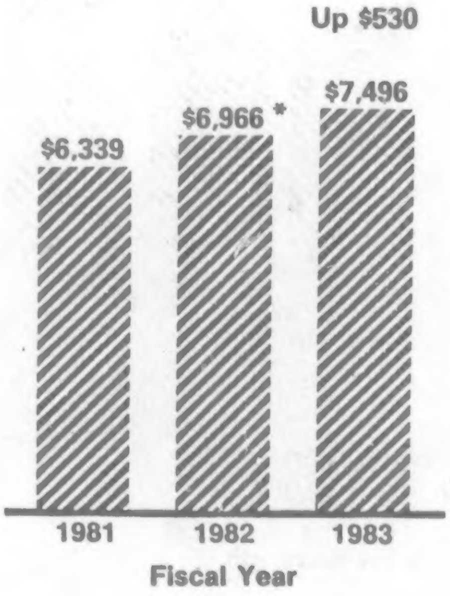
- THE 1983 REQUEST OF $55.8 MILLION IS $0.4 MILLION OVER 1982.
- AVERAGE EMPLOYMENT WILL DECREASE BY 13 TO A LEVEL OF 853.

Veterans Administration

(9A)

Medical Care

(Appropriations in millions)



- Average Employment Up 1,259 to 187,546

- Funding Up $530 million:

• Pay Raise and Related Increases	$258
• Inflation (5.4%) and Increased Usage	199
• Workload Increases	37
• Capital Investment	27
• All Other	9

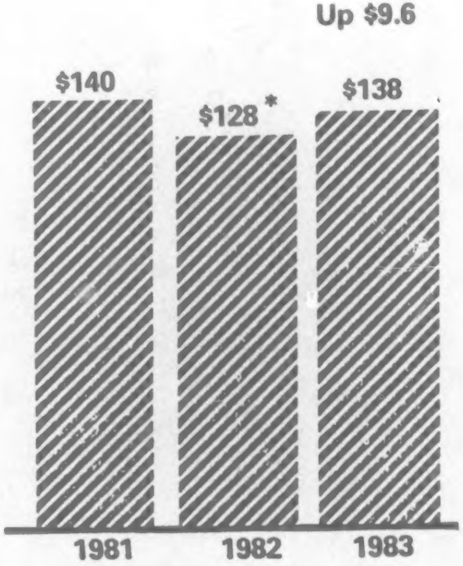
- Provides for:
  - 4 New Nursing Home Care Units
  - 1 New Outpatient Clinic and Expansion of Five Others
  - Special Medical Programs
  - Activation of New Facilities and Systems

Veterans Administration

9B

Medical and Prosthetic Research

(Appropriations in millions)



- Average employment down 199 to 3,914
- Funding up $9.6 million:

• 1982 Pay and Related Increases	$+5.2
• Equipment Increases	+3.0
• Supplies & Material Increases	+3.1
• All Other	+3.2
• Reduction in Employment	−4.9
Total	$+9.6

- Maintain High Priority Programs :
  - Schizophrenia
  - Alcoholism
  - Rehabilitation
  - Herbicide Orange
  - Spinal Cord Injury
  - Delayed Stress Disorders
  - Aging

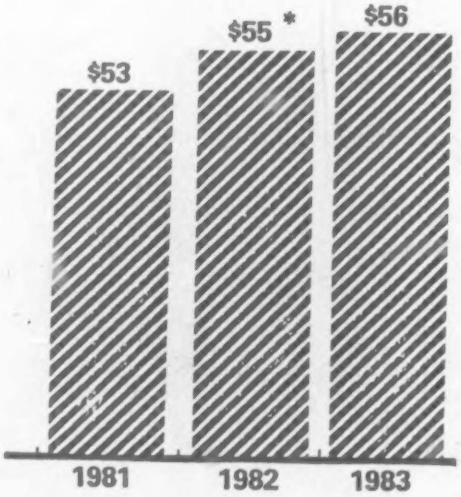
9c

Veterans Administration

Medical Administration and Miscellaneous Operating Expenses

(Appropriations in millions)

Up $0.4



- Average employment down 13 to 853
- Funding up $0.4 million:

• 1982 Pay and Related Increases	$+1.7
• Postgraduate and Inservice Training Increases	+1.5
• Other Contractual Services	+1.4
• Grants (Health Professional Scholarships Program)	-4.0
• All Other	+0.3
• Reduction in Employment	-0.5
Total	$ +0.4

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MEDICAL PROGRAM HIGHLIGHTS

WORKLOAD

- TOTAL BENEFICIARIES TREATED, THROUGH VA DIRECT CARE, CONTRACT CARE AND 3 STATE HOME PROGRAMS WILL BE $7.4 MILLION, UP 5,290 OVER 1982.

VA MEDICAL CENTERS

- INPATIENTS TREATED, 1,252,000, UP 4,000, OVER 1982
- OUTPATIENT VISITS, 18,110,000 TREATED, UP 92,000 OVER 1982.
- AVERAGE DAILY CENSUS 63,500, DOWN 434 FROM 1982.
- LENGTH OF STAY AVERAGE 19.5 DAYS, DOWN .2 DAY FROM 1982.

MEDICAL PROGRAM HIGHLIGHTS

OPERATING BEDS

- PUBLIC LAW 97-72 DIRECTS THE ADMINISTRATOR TO OPERATE AND MAINTAIN A TOTAL OF NOT LESS THAN 90,000 HOSPITAL AND NURSING HOME BEDS. THE OPERATING BEDS IN THE 1983 BUDGET ARE 90,042. (80,437 HOSPITAL BEDS AND 9,605 NURSING HOME CARE BEDS).
- OCCUPANCY RATE FOR 1983 OF 79% DOWN .1% FROM 1982.

TRENDS

- INCREASE IN NUMBER OF PATIENTS TREATED.
- INCREASE IN STAFFING RATIO.
- THE REDUCTION IN CENSUS RESULTS FROM IMPROVED TURNOVER, SHORTER LENGTH OF STAY AND INCREASED AVAILABILITY OF ALTERNATIVES TO HOSPITALIZATION.
- IMPACT REFLECTED IN REDUCED DEMAND FOR HOSPITAL BEDS BUT AN INCREASE IN THE NUMBER OF PATIENTS TREATED.

12

CONSTRUCTION PROGRAM SUMMARY

- 1983 REQUEST TOTALS $611 MILLION, UP $137 MILLION OVER 1982
    - MAJOR $419 MILLION
    - MINOR $192 MILLION
- CONSTRUCTION PROGRAM DIVIDED:

	TOTAL	CHANGE
• MEDICAL PROGRAM	$576.7	$+136.2
• CEMETERY PROGRAM	2.1	- 1.7
• GENERAL ADMINISTRATION (765 FTE) ..	32.7	+ 2.7
	$611.5	$+137.2

- FY 1983 REQUEST REFLECTS ALBUQUERQUE, NM CONSTRUCTION FUNDS AND EMPHASIZES CORRECTION OF CODE DEFICIENCIES
- GENERAL ADMINISTRATION EMPLOYMENT IS DOWN FROM THE FY 1982 LEVEL BY 16
- THE 1982 ESTIMATE DOES NOT INCLUDE $1,157,000 FOR THE OCTOBER 1, 1981, PAY RAISE

Veterans Administration

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Medical Construction Program
(In millions of dollars)

Summary

	FY 1983 Request
Replacement/Modernization	$256.7
Nursing Home Care	35.4
Outpatient Improvements	13.5
Electrical Improvements	25.1
Fire/Safety Improvements	60.1
Clinical Improvements	77.3
Other Improvements (Major and Minor)	141.3
Applied Reprogrammings	-32.7
Total Medical Construction	$576.7

Veterans Administration

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Cemetery Construction

(In millions of dollars)

	FY 1983 Request
● Ft. Snelling, MN - Develop 14,800 Gravesites/Additional Facilities	$1.6
● Advance Planning Fund	0.5
Total Cemetery Construction	$2.1

General Administration

(In millions of dollars)

● Expenses of Office of Construction	$ 32.9
● Applied Reprogramming	– .2
Total General Administration	$ 32.7

Office of Public
and Consumer Affairs

Washington DC 20420
(202) 389-2741

Veterans
Administration

News Release

FOR IMMEDIATE RELEASE

Veterans Administration Administrator Robert P. Nimmo today ordered much-needed changes in the use of computers and automated data processing (ADP) technology concerning VA health care operations. In order to promote increased effectiveness and efficiency in the VA's nationwide medical care system, Administrator Nimmo has directed decentralization of computer and ADP resources to the local hospital level. Through the use of distributed data processing, each VA medical center will install its own on-board computer capability using mini or micro computers and appropriate subsystems.

"This new thrust of decentralization will provide much better service in VA medical centers by improving administration and patient scheduling. In addition, it should speed things up in pharmacy and laboratory processes," Nimmo said. The changes were ordered effective today in a detailed executive order which was dispatched to all VA field stations. The main thrust of the VA Executive Order is to make the computer available as a "tool" in the "tool kit" of our medical center directors and professional staff.

Shortly after President Reagan appointed him to head the 25 billion dollar per year agency, Nimmo ordered a "hold" on all ADP activities and directed the VA's Deputy Administrator, Charles T. Hagel, to undertake a thorough reassessment and review of agency-wide ADP programs and operations. Hagel formed an ADP review group to carry out the task and make recommendations to the Administrator. The new VA Executive Order addresses the highest priority set of recommendations made by Hagel's review group, that of getting the VA "up to speed" in using computer technology in medical center operations.

Previous to Nimmo's appointment, criticism of VA computer programs and their cost had been leveled by Congressional oversight committees, GAO, GSA, and OMB. "Because of this past history of problems and fragmentation, I knew that addressing this issue of computers was one of our highest management priorities. I am pleased that we have been able to step-up to this problem and set in motion a new policy to improve VA medical center operations," Nimmo said.

"We are making a serious and important decision that will have a major impact on future agency operations," Nimmo said. "In addition, this decision will help provide more cost-effective medical care to those who have served our country in its time of need," Nimmo concluded.

# # #

February 18, 1982

Office of Public
and Consumer Affairs

Washington DC 20420
(202) 389-2741

Veterans
Administration

News Release

FOR IMMEDIATE RELEASE

Administrator of Veterans Affairs Robert P. Nimmo today announced a major reexamination of the Veterans Administration's five year medical facility construction program. In announcing his decision, Nimmo indicated that the VA's current long-range planning process does not ensure that our facilities are constructed where they will best serve the needs of our veteran population.

"We must clearly identify our changing health care needs," Nimmo said. "We must then firmly establish our health care priorities, justify them, plan for them, build for them and if necessary change them," he said.

The VA Administrator has directed that all construction projects planned for FY 1984 and the outyears be revalidated by new and defensible criteria prior to being restored to the construction schedule. "Until the Agency can justify its construction program, I believe it would be irresponsible to proceed with a major program for FY 84 and the outyears," Nimmo said.

While the review ordered by Nimmo focuses on construction projects scheduled for FY 84, projects funded on a multi-year basis will also be reassessed.

The purpose of the reexamination will be to create a construction program based on a more realistic assessment of veteran health care needs and valid demographic and workload projections.

To accomplish this, Nimmo ordered the formation of a task force to work with the Chief Medical Director, Dr. Donald L. Custis, to undertake a comprehensive review of the VA's health care construction projects. "The purpose of this review is not to delay needed construction projects," Nimmo said, "but to establish criteria to ensure that the projects we do build reflect the best and most effective response to veteran health care needs."

"In the absence of such criteria we endanger the delivery of health care services to the veteran in some areas of the Nation, while building unneeded facilities in others. In view of the aging, but diminishing veteran population," Nimmo continued, "it is essential that we build only such new and replacement facilities as are required."

Nimmo ordered that top priority be given to those projects essential to correct fire, safety, electrical and seismic deficiencies where the life or safety of VA patients and employees might be in jeopardy.

# # #

February 19, 1982

Office of Public
and Consumer Affairs

Washington DC 20420
(202) 389-2741

Veterans
Administration

News Release

FOR IMMEDIATE RELEASE

A temporary hiring freeze for the Veterans Administration central office staff in Washington was directed today by Administrator of Veterans Affairs Robert P. Nimmo.

In making the announcement to his staff, Nimmo said firm written commitments made prior to today's freeze would be honored.

He pointed out also that his freeze order does not apply to career promotions or to reassignments within departments and staff offices. Promotions and reassignments between departments and staff offices would be frozen, however.

One VA staff office, the Office of Data Management and Telecommunications, has been under a hiring freeze since January 28 in both the field and central office pending an intensive review of its mission and VA's agency-wide automated data processing requirements. This freeze continues in effect, Nimmo said.

Most VA staff offices have been operating under a self-imposed hiring moratorium for several months. A uniform hiring policy throughout his staff, Nimmo said, would insure equity among the many elements of central office and would make a maximum number of present and future vacancies available to employees affected by organizational changes.

Nimmo specified that requests from his senior staff for exceptions to the freeze, for the purpose of filling positions requiring special skills or meeting critical needs, could be brought to him through the Assistant Deputy Administrator for Personnel and Labor Relations.

# # #

February 19, 1982

Office of Public
and Consumer Affairs

Washington DC 20420
(202) 389-2741

Veterans
Administration

News Release

FOR IMMEDIATE RELEASE

The Veterans Administration budget request for fiscal year 1983 seeks $25.6 billion to fund medical care, compensation and pension payments and other benefit programs for the nation's veterans and their families.

The budget request is an increase of $867 million over the current level, but does not provide for the 4.8 percent employee pay increase in 1982. The pay increase will be addressed on a government-wide basis by the Administration at a later date.

Included in the budget submitted to Congress today are legislative proposals to provide an 8.1 percent cost-of-living increase for compensation recipients, and several adjustments in benefits.

The VA budget request provides for increases in medical care employment that will produce the highest staff-to-patient ratio in the agency's history and will provide medical care funds for a record 1,365,078 inpatients treated and for 18,110,000 outpatient medical visits. In other areas, the budget provides funds for the indexed VA pension program to compensate for inflation.

The FY 1983 budget request is based on VA estimates that 2.3 million veterans with service-connected injuries or illnesses, and 354,000 survivors of veterans who died of service-connected causes, will receive a total of $10.1 billion in compensation payments during the year. Some of the offsetting savings of $208 million would be realized through limiting payments for dependents to veterans who are rated more than 50 percent disabled.

Pension payments of $3.9 billion will be made to approximately 820,000 wartime veterans and 943,000 survivors of wartime veterans.

The budget seeks $7.72 billion for the agency's medical department -- an increase of $542 million from the current fiscal year.

Four nursing home units are scheduled for activation during FY 1983, bringing the total number of operating nursing home care beds to 9,847. The budget also provides for one new outpatient clinic and the expansion of five others.

The agency requested $611.5 million in construction funds -- an increase of $137.2 million above the current budget. Emphasis will be on six major modernization and replacement projects, eight projects to correct fire and safety code deficiencies, four additional nursing home units and $103.5 million for construction of a 380-bed hospital and clinical services building in Albuquerque, New Mexico.

The agency plans to open new national cemeteries during FY 1983 at Indiantown Gap, Pa., and at Quantico, Va., and the budget also seeks funds for further development at the Ft. Snelling National Cemetery in Minnesota.

Overall VA employment will increase by 955 during the fiscal year to a total of 218,420. Department of Medicine and Surgery employees will increase by 1,167; and Department of Veterans Benefits employment will decline by 218 persons, reflecting the decrease in GI Bill education benefits recipients.

The budget also proposes other savings of approximately $26 million by means of legislative changes.

# # #

February 8, 1982

MAR 8 - 1982

Honorable G. V. (Sonny) Montgomery
Chairman, Committee on
Veterans' Affairs
House of Representatives
Washington, D.C. 20515

Dear Sonny:

I am pleased to share my views on recent allegations that phony entries were made in service records to understate levels of exposure to ionizing radiation experienced by atomic weapons test participants. Press reports attribute the contentions to a single individual, Mr. Van R. Brandon of Marysville, California.

Little need be added to the enclosed February 12, 1982 memorandum from the Defense Nuclear Agency (DNA). It shows the facts to be very much at odds with Mr. Brandon's reported assertions.

I am also reassured by the results of the dose reconstructions performed by the Nuclear Test Personnel Review (NTPR) program. The findings, described in the enclosed DNA Fact Sheet, have verified the validity of recorded film-badge readings. I am certain that agency would be more than happy to provide the Committee with more information on dose reconstruction methodologies should you desire it.

Press accounts also suggest Mr. Brandon now maintains he suffers disability as a result of exposure to radiation in service. This is news to VA. Our records indicate he has never filed a service-connected disability compensation claim, nor otherwise communicated to VA a belief that his current health problems stem from radiation exposure. Records of clinical examinations and treatment do not suggest he suffers from any form of radiogenic illness. In 1969 he filed a claim for VA pension, contending that rheumatoid arthritis that began in 1967 (6+ years postservice) rendered him totally disabled. That claim, and another pension claim filed in 1979, were denied after VA findings of insufficient (less than total) disablement.

I see no reason to pursue this man's allegations further.

Sincerely,

Deputy Administrator - In the absence of.

ROBERT P. NIMMO
Administrator

Enclosure

SIGNED AND DISPATCHED
MAR 8 1982
ADMINISTRATOR'S OFFICE

DEFENSE NUCLEAR AGENCY
WASHINGTON, D.C. 20305

12 February 1982

MEMORANDUM FOR CONGRESS

Subject: Defense Nuclear Agency Response to Allegations
of Van R. Brandon

The Defense Nuclear Agency (DNA) determined today that the allegations made by Mr. Van R. Brandon are without basis in fact. Mr. Brandon, a former Army medic, alleges that he was ordered to falsify radiation exposure records at the Nevada Test Site (NTS) during atmospheric nuclear tests in 1955-1957.

The Defense Nuclear Agency first learned of the allegations made by Mr. Brandon when the news media contacted the Agency on Sunday, 7 February 1982. The story appeared throughout the country begining 7 February 1982. The Defense Nuclear Agency started an immediate effort to investigate the allegations made by Mr. Brandon.

Mr. Brandon entered the U.S. Army on 21 January 1954. He was assigned duties as a medical specialist throughout his military service and attained the rank of Specialist Five. He was discharged from the Army on 18 January 1961 with a General Discharge under honorable conditions as a result of proceedings conducted by a board of officers who determined that he was unsuitable for further military service because of character and behavior disorder.

The allegations and the investigation results are indicated below.

Allegation: Mr. Brandon claims he was denied veterans benefits and told that the TOP SECRET Combined Operations Nuclear Medical Evaluation Team never existed.

Fact: Mr. Brandon has not contacted the DoD concerning his allegations regarding radiation exposure or his alleged attendance at tests. He has not asked for data to support a veteran's benefit claim alleging radiation induced injury or disease. He did file a non-radiation related claim with the Veterans Administration. The claim was denied and Mr. Brandon did not appeal that decision. There is no evidence that a "Combined Operations Nuclear Medical Evaluation Team" existed and it is likely that organization never existed.

Allegation: Instructions to keep two sets of books were allegedly issued. One set was to show that no one received an exposure above the approved dosimetry reading. Another set of books was to show the actual readings. Sometimes the dosimeters measured radiation exposure below the limit, and in those cases, the true levels were recorded in both the real and phony books.

Fact: DNA has been conducting an intensive review of participation in the nuclear testing program since early 1978. No evidence has been found of dosimetry record keeping involving two sets of books. Thousands of individuals were involved in dosimetry record keeping throughout the atmospheric nuclear testing program. None of the individuals have alleged or inferred that two sets of radiation exposure books were kept for test participants. There is no evidence that would support Mr. Brandon's allegation that two sets of books were kept.

Allegation: Mr. Brandon claimed attendance at a number of nuclear tests as follows:

September 1955 - Temporary duty as part of the "Combined Operations Nuclear Medical Evaluation Team" to the Marshall Islands.

November 1955 - Temporary duty to the Nevada Test Site for a test.

January and February 1956 - Temporary duty to the Nevada Test Site for a test.

March 1956 - Temporary duty to White Sands Missile Range for a test of the atomic cannon and to the Nevada Test Site.

April 1957 - Temporary duty to the Nevada Test Site.

Fact: Army records indicate that Mr. Brandon was not involved with the atmospheric nuclear testing program and was not present while in the Army at the Nevada Test Site, White Sands Missile Range or the Marshall Islands. During most of the times Mr. Brandon alleges attendance at a nuclear test, in fact no nuclear tests were conducted. No atmospheric nuclear testing was conducted in the United States during the last six months of 1955 except for three safety tests of nuclear weapons that were conducted in November 1955. These tests were conducted to determine the safety of newly developed weapons during transportation and storage and involved only high explosive detonations, not nuclear detonations. No nuclear tests were conducted in the United States during 1956 except for the fourth in the series of scheduled safety experiments. Project 56 No. 4, detonated on 18 January 1956 at the Nevada Test Site, resulted in a very slight nuclear yield (a few tens of pounds of TNT equivalent, not the hundreds of tons of such TNT equivalent which would normally result from a nuclear detonation). There were seven nuclear detonations in the Pacific as part of Operation REDWING conducted during June 1956. There is no indication that Mr. Brandon was in any way involved with these tests.

The only nuclear event conducted in April 1957 was Project 57 No. 1, another safety experiment. Elements of the conventional high-explosive portions of the devices were fired to simulate an accident situation and to determine whether a significant nuclear yield would result. There was no nuclear yield from the detonation in Project 57. Records indicate that Mr. Brandon was present in his assigned unit during the times he alleges participation at various nuclear tests.

The only nuclear test of the 280mm atomic cannon took place as Shot GRABLE, UPSHOT-KNOTHOLE Series, on 25 May 1953 at the Nevada Test Site.

An extract of Mr. Brandon's assignments are: On 8 August 1955, Mr. Brandon was attached to the Medical Company, 75th Infantry Regiment in Okinawa. Mr. Brandon was present for duty in that Regiment until 12 September 1955 when he took a 60-day reenlistment leave to the United States. Mr. Brandon reported back for duty after termination of his reenlistment leave on 26 November 1955. Mr. Brandon remained present for duty in Okinawa with the Medical Company of the 75th Infantry Regiment until being reassigned to the HHC 75th Infantry Regiment in Okinawa effective 28 January 1956. Mr. Brandon remained present for duty with that unit until he was reassigned to the 3rd Battalion, 75th Infantry Regiment on 8 February 1956. Mr. Brandon remained present for duty with the 3rd Battalion, 75th Infantry Regiment in Okinawa until 15 March 1956 when he was reassigned to the 663rd Field Artillery Battalion in Okinawa. On 15 March Mr. Brandon was placed on temporary duty to support AFFE Matches (Provisional) in Okinawa. On 16 April 1956, Mr. Brandon returned from his temporary duties to the 663rd FA Battalion. The records indicate a reassignment effective 1 May 1956 from Okinawa to the United States. Records indicate Mr. Brandon departed Naha, Okinawa, on 27 April 1956 and arrived in Seattle on 17 May 1956. Mr. Brandon was present with his unit or assigned temporary duty in the Okinawa area except for the 60-day period when he was on reenlistment leave.

Records indicate that on 26 June 1956 Mr. Brandon reported to his new unit, Headquarters Company, 1st Armored Division, Fort Polk, LA. The records for the period covering April 1957 indicate that Mr. Brandon was assigned to the 575th Medical Company (Ambulance) in Europe. The records show that Mr. Brandon was present for duty within his unit in Crailsheim, West Germany, in April 1957. On 9 April 1957, Mr. Brandon was assigned to temporary duty with the 732nd Medical Detachment in Boblingen, West Germany. He returned to the 575th Medical Company (Ambulance) in Crailsheim, West Germany, on 30 April 1957.

Point of Contact: Mr. Robert L. Brittigan, General Counsel

Statement of

The American Legion

1608 K STREET, N. W.
WASHINGTON, D. C. 20006

by

PAUL S. EGAN, DEPUTY DIRECTOR
NATIONAL LEGISLATIVE COMMISSION

and

ROBERT E. LYNGH, DIRECTOR
NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION

before the

COMMITTEE ON VETERANS AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES

on

FISCAL YEAR 1983 BUDGET for the VETERANS ADMINISTRATION

MARCH 1, 1982

STATEMENT OF ROBERT E. LYNGH, DIRECTOR
NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION
THE AMERICAN LEGION
BEFORE THE COMMITTEE ON VETERANS AFFAIRS
HOUSE OF REPRESENTATIVES
MARCH 1, 1982

Mr. Chairman and Members of the Committee:

The American Legion appreciates the opportunity to present its views on the Veterans Administration Budget for Fiscal Year 1983, that has been submitted to the Congress by the President.

The President's Budget for the Veterans Administration proposes Budget Authority of $25.6 billion, an increase of $867 million over the approved Budget for Fiscal Year 1982, and Outlays of $24.3 billion, an increase of $222 million over FY 1982. The proposed VA Budget would comprise 3.2% of the total Federal Budget for Fiscal Year 1983. The Budget for VA for FY 1982 accounted for 3.3% of the total Federal Budget for the current Fiscal Year.

Several observations are in order at the outset of any discussion of proposed funding for veterans programs for the ensuing fiscal year. First let us state The American Legion's basic position on this matter.

The American Legion believes that when the national priorities are established, veterans should rank second only to national defense. We believe this because veterans are the men and women who have responded to the nation's call to defend the national interest in the Armed Forces of the United States. While such service is indeed a duty of citizenship, it begets an equal responsibility on the part of the national government not to forget those who served when that service has been honorably completed.

The first obligation of the Government, clearly is to those who were disabled in service, and then to all those who honorably served.

The Government of the United States has essentially met its obligation to its veterans, and the proposed Budget for FY 1983, indicates it intends to continue doing so.

The American Legion stands for full funding for veterans programs. By this is meant that all veterans programs are viable and fulfilling the purpose for which they were intended when established, and such funds as are necessary to keep them operating should be provided.

Having made those statements, The American Legion further observes that the nation is in a period of recession and economic difficulties requiring strict fiscal restraint in Federal expenditures. The Legion acknowledges that veterans must share in those restraints. The fact that the percentage of the Federal Budget allocated to veterans programs has declined in the proposed Budget indicates clearly that veterans programs are not consuming an increasing amount of the Federal dollar.

If the proposed Budget is enacted, a number of needed adjustments in veterans programs will have to be deferred, and some adjustments in benefits will be made. The American Legion considers those deferrals and adjustments to be the contribution of the nation's veterans to the difficult economic situation in which the nation now finds itself.

Having said that, it must next be said that the President's proposed Budget for VA is the absolute minimum that can be appropriated if veterans programs are to remain viable. At a decrease of 1/10th of 1 percent of the total Federal Budget, the FY 1983 Budget is in fact a decremental budget. It does not allow for the 8.9% rate of inflation that prevailed during calendar year 1981. For example, it must be borne in mind that the cost of pharmaceuticals, medical supplies, and health professionals escalates at a minimum at the prevailing rate of inflation.

We will say here that The American Legion appreciates the fact that the President's Budget recognizes both the national obligation to veterans and certain needs that have to be met to fulfill those obligations - and yet the Budget does not provide for any growth, either in benefits, or in operational costs. The American Legion is grateful for the concern the Budget expresses, and this organization is willing to accept some of the adjustments proposed, as the veterans' contribution to the national welfare.

In all departments and activities of the VA, the Legion accepts the manpower provisions that have been made, with the exception of an average loss of employment of 199 in Medical and Prosthetic Research.

Staffing in the Research Program is perilously thin. That program has been denied funds for the past several years, to the point that the ability of the agency to maintain a productive research program is marginal. The proposed increase in funding for FY 1983 of just under $10 million, will be consumed mostly by pay raises - so there is no growth in the Research Program planned for FY 1983. A further loss of personnel will render it more difficult to carry on meaningful research activities.

We make a point of this because research is in fact an essential element of the VA program of comprehensive medical care for veterans. If the research program is extinguished, the ability of VA to attract and retain high quality physicians will be materially damaged, as will the affiliation program that has associated VA with the finest medical schools in the country.

The American Legion asks that there be no reduction in personnel in Medical and Prosthetic Research, and that the Committee recommend sufficient funding for the Program to assure a vigorous and dynamic research program to be conducted by the Department of Medicine and Surgery.

With further reference to the Medical Care Program, the Legion has some serious concerns. In the first place, however, it must commend the allocation of an additional 1,259 in average employment, that will bring the staff to patient ratio to 2.24. We would like to see the staff to patient ratio maintained at 2.50 at a minimum, which would still be less than is found in most private sector hospitals, and substantially less than in university hospitals.

As to our concerns, we have serious concerns in the areas of the Nurse Scholarship Program, Beneficiary travel, the development of Health Information Systems and the computerization of pharmacies in the larger hospitals.

The Health Professional Scholarship Program was legislatively authorized by Public Law 96-330. To date it has not been implemented due to lack of funds. In the FY 1982 appropriations there was provided a sum of $4 million for a Nurse Scholarship Program, and the DM&S had planned to start the program for nurses in September of this year. If no funds are provided for FY 1983, however, the program cannot be started, because the payback obligation is for a minimum of two years, and the scholarships must be provided for that period at minimum.

This leads to a discussion of the nursing situation in the DM&S. That situation is critical in the shortage of Registered Nurses that is being experienced.

In the first place, of course, there is a national shortage of professional nurses, and VA must compete on the open market for its share of the available supply. To overcome the shortage, hospitals in the private sector, and university hospitals are putting together salary and benefit packages that VA is hard-pressed to match. In 1981 the Field Service of The American Legion made site visits to 63 of the 172 VA medical centers. Copies of the site visit reports are available to the Committee, and they are recommended reading. We doubt that any other organization or agency outside VA itself, including the Committee staff, visited as many medical centers during the year as did the Legion.

The site visit reports show serious staffing shortages in many medical centers. They show critical nursing shortages system-wide. Our site visit reports reflect wards closed, Intensive Care Units closed, badly needed Nursing Home Care Units operating at reduced capacity - all as a result of nursing shortages. And all of this at a time of increased demand for care by sick and disabled veterans, many of them in the aging category.

VA has got to do something about this nursing shortage. What is needed is funding and authority for VA to put together packages that will enable it to compete in the open market for its share of professional nurses. Congress has a responsibility to see that this is done.

One of the things that must be done is to implement the Nurse Scholarship Program. The proposed budget allocates no funds for this purpose. And here we are talking about a minimal amount of a few million dollars that will enable DM&S to start up the program on October 1, and continue it for a minimum of two years.

We ask the Committee to recommend funds for this purpose in its submittal to the Budget Committee.

Another area of concern is the expansion of Health Information Systems in the DM&S. Presently VA lags far behind the private sector in the computerization of health care delivery. As in so many other things, the age of computers has arrived in delivery of medical care. Doctors practicing "state of the art" medicine expect to have automated health information systems available to them. In VA, for the most part they are not available.

The Committee should require from the DM&S a plan to fund the computerization of the Department, including the pharmacies in the larger hospitals. Unit dose pharmacies are the modern way to handle pharmaceutical distribution in hospitals. They are efficient and provide greater inventory, and thus cost control. It makes no sense for VA to manage its pharmaceutical distributions without them.

A word about one particular aspect of benefits within the medical care program - namely Beneficiary Travel. This is a statutory benefit provided in particular recognition of the fact that the majority of VA medical care beneficiaries are poor. We are advised the Beneficiary Travel account for the DM&S for FY 1983, will be reduced by $17 million, from $82 million to $65 million. Inevitably, cutbacks of this kind fall most heavily on the most needy class of beneficiaries. We encourage tight management of the Beneficiary Travel program, but we also caution that those who qualify for this benefit should not be denied it, and in fact cannot be as long as it is a statutory benefit. We do not see how the Beneficiary Travel account can be reduced for FY 1983, while the outpatient visit load is estimated to increase to more than 18 million visits.

Public Law 96-330 also authorizes an increase from the present 8 to a maximum of 15 of the Geriatric Research Education and Clinical Centers. To date no funds have been provided for the expansion of this program, and none is allocated for FY 1983.

Considering that the most critical concern of the total medical care program for the foreseeable future lies in the area of care for aging veterans, this omission should be rectified.

In PL 96-330 Congress mandated establishment of a Geriatrics and Gerontology Advisory Committee, to study and submit recommendations to the Congress in 1983. That Committee has been appointed and is functioning. The American Legion was chosen to provide consumer representation on it. The Committee will submit its report when scheduled. In the meantime, the GRECCs are doing important work in the area of research and education of health care professionals in care for the aging. The work being done will benefit not only veterans, but all Americans, as the nation prepares to cope with the increasing longevity of its population. The American Legion believes the GRECC program should be expanded as provided by law.

The American Legion again voices a warning against the continuing closing down of acute care beds within the VA system. Operating beds were at 80,436 at the close of FY 1981, while authorized operating beds are shown at a level of 80,900, to decline to 80,400 by close of FY 1983. While it is true the system is increasing its nursing care beds to 10,000, it must nevertheless be anticipated the system will be confronted with an increasing number of older veterans who are experiencing catastrophic illnesses such as cancer, heart disease and stroke. These will require acute care beds. In the judgment of The American Legion, in no circumstances should Congress allow the agency to decrease its acute care operating beds below the level of 80,000.

The American Legion is grateful that the proposed Construction Medical Program has been increased by $136 million over the FY 1982 allocation, to a total of $576.7 million; and the Grants to State Homes by $3 million to $18 million. Last year the medical construction program experienced severe cutbacks in the Administration's efforts to reduce the FY 1982 Budget. The American Legion objected to this for the simple reason that it is not sound economy to postpone needed capital improvements in a time of inflation. The deferred improvements simply cost more when they are finally accomplished. That has been the case with the medical construction program. The capital plant of the system is in need of massive immediate and long-range renovation and replacement. It is in the interest of the Government to keep the capital plant of the system in a state of good repair to meet current and future needs, and in view of the national defense role that is now being assigned to the VA medical care program. The capital improvement deferrals of FY 1982 are simply going to cost more in FY 1983 and 1984.

It is important to note there are hospitals in the system that were built prior to World War II, and there are many more hospitals that were built immediately following WW II, when the system was rapidly expanded. None of those hospitals are configured to accommodate the practice of modern medicine. They should be replaced or renovated, not only because the replacements are needed, but also because they represent a multi-billion dollar investment by the Government in the health of veterans and of the nation. The longer the replacements are put off the more they will cost - and that is not good business for the Government.

The increase in Grants to State Homes will provide more and better facilities for the care of veterans, and alleviate to some degree the pressures on the VA system. That is a good investment for the Federal Government.

We would like to speak now to some of the legislative initiatives the Administration will propose for Fiscal Year 1983.

In the first place, The American Legion is appreciative of the proposed 8.1% adjustment in compensation and Dependency and Indemnity Compensation for survivors. This increase approximates the inflation rate for calendar year 1981, and will be of direct economic assistance to the service disabled and the survivors of the service deceased, those who are in fact the most deserving of all Federal beneficiaries.

The American Legion does not agree with the proposal to eliminate the dependency allowance for veterans who are compensated at the 30 and 40% level. These are serious levels of disability, and the dependence allowances are of direct help to the recipients who have dependents. This was the rationale behind the legislation of several years ago that established this benefit. That rationale is as sound today as it was then - and today's economics are complicated by the lingering inflation that prevails.

The American Legion does not agree with the change in definition of a dependent child from age 23, while in education status, to age 19, for pensioners and for those disabled veterans who are being trained in VA's Vocational Rehabilitation Programs for the service disabled.

In the first place the Legion disagrees with any benefit reduction that affects the service disabled. Second, pensioners are by definition subsisting at the poverty level, and thus are in need of all the assistance that can be given them. When they have children who are still being educated, the loss of this benefit hurts not only the veteran, who is elderly and poor, but also prejudices the opportunity of the veteran's children to reach above the poverty level, through education and training advantages.

As far as the Federal Government is concerned, we consider this to be false economy.

As to the legislative proposals affecting first full month of payment, end-of-year to end-of-month, and issuance of checks in even dollars, the Administration estimates savings of some $42.5 million by these actions. The American Legion will accept these, though without enthusiasm, as part of the effort toward fiscal restraint.

The proposed Budget for FY 1983 is silent on the subject of any increase in the subsistence allowance for Vietnam Era veterans in training under the GI Bill. These allowances were last increased effective October 1, 1980. The inflation level for the period since that date approximates 10%. Everyone knows what has happened to the cost of education. The Government has a direct obligation to recognize the increasing cost of education in the subsistence allowance for GI Bill trainees - all of whom are Vietnam veterans.

Under the heading of legislative initiatives, The American Legion must now address a matter on which the proposed Budget for FY 1983 is silent; and that is the burial benefit for veterans that was eliminated in the Budget and Reconciliation Act of 1981. This elimination was a mistake on the part of Congress, and it should be restored this year.

This elimination effected a saving of some $61 million for FY 1982, and purports an additional saving of $5.7 million for FY 1983.

The other side of this proposition is that the burial benefit is the single monetary benefit that has been available to the entire 25.7 million population of war veterans. We ask the Committee to contemplate the fact that only 10% of the veteran population receives compensation; less than 10% qualify for pension; slightly in excess of 10% ever use the veterans hospitals; not more than half of all veterans ever use the GI Bill education programs. Thus, not more than half the entire war veteran population ever receives any benefit from the Government, with the exception of the GI Home Loan Benefit - which is not a monetary benefit, but only a guarantee, and the burial benefit which has provided $300 to all war veterans to insure them a decent burial. Is that really asking too much of the Government for more than half of all those who have served honorably in war?

While the Administration's budget proposal is silent on this benefit, The American Legion has introduced legislation to seek its restoration, and we seek the support of the Committee to advance this legislative proposal. With The American Legion it is a matter of equity and fairness, and it does not represent that much money in a total Federal Budget that is in excess of $700 billion - even with a veteran mortality rate that exceeds 340,000 per year.

Mr. Chairman, and Members of the Committee, in this statement we have addressed only those aspects of the proposed VA Budget for

Fiscal Year 1983 that we believed merited particular comment. We repeat what we stated at the outset, that The American Legion is appreciative of the consideration that is shown in the proposed Budget for veterans and their needs and problems.

We do want to reiterate our comment that the allocations for the medical care program are no more than a straightline approach to the multiple complexities and problems of the comprehensive medical care program for veterans that is mandated by Congress for the nation's veterans. That program deserves careful care and attention by the Committee. And that is especially true in consideration of the added mission of a national defense responsibility that has now been assigned by Congress to the VA Department of Medicine and Surgery.

The VA Budget now approximates $25.6 billion. Of this amount 62.6% is paid in direct benefits to veterans, their dependents and survivors. Of the total amount, 32% is for the cost of medical care. Only 2.9% represents the administrative costs of operating the programs, and 2.5% is for construction costs, which is a capital investment.

The point to be borne in mind in evaluating these not inconsiderable costs in relation to the overall Federal Budget, is that the total cost of veterans programs is an identifiable cost of war. The $25.6 billion VA Budget for FY 1983, is the fruit of WW I, WW II, Korea and Vietnam, the four wars in which the nation has engaged in the Twentieth Century. The Government of the United States must be prepared to accept the consequences of its own actions, and one of those consequences is the cost of programs for the men and women who did respond to the nation's call and served during the periods of conflict.

We know that Members of Congress have always borne these facts in mind in preparing fund allocations for veterans programs, and we of The American Legion are appreciative and grateful for that fact.

We thank the Committee for its understanding consideration of the funding requests for veterans programs for Fiscal Year 1983.

Mr. Chairman, and Members of the Committee, before concluding this statement, we beg your indulgence in permitting us to include a comment about a recent initiative of the Administrator with reference to the VA construction program. We seek this opportunity because this is the first forum in which we are able to react to the Administrator's action, acknowledging as we do that the matter does not constitute an immediate legislative action the Committee has to deal with. It is important, however, to the future of veterans' programs, and for that reason we believe it is of interest to the Committee.

We refer to the Administrator's announcement of February 22, that he is suspending the planned VA construction program, commencing with Fiscal Year 1984, pending study and revalidation as to true need. This action shocked The American Legion, and we believe it must be of direct concern to this Committee, because it calls into question the oversight the Committee has provided to all VA activities, including the construction program.

In his statement, the Administrator says the VA construction program has been formulated to a great extent on the basis of local politics. That is a terrible thing to say and The American Legion rejects it. Doesn't this challenge the oversight responsibility of this committee? We suggest the committee require the Administrator explain and justify his statement before this committee and its members.

The American Legion pays close attention to the VA construction program, most of which is for medical facilities. Our Field Representatives visit about 65 medical centers each year, and we believe we have a good idea of the condition of those facilities. The fact is that the 172 hospital VA system, which is a multi-billion dollar investment of the Federal Government, is a deteriorating system and is in need of constant renovation and replacement. Every VA hospital is required to maintain a five year plan that is reviewed and approved or modified by Central Office. The overall five year plan for renovation and replacement is then submitted to this Committee for review and approval or modification. Further review is then provided by the Appropriations Committee. The same procedure occurs in the Senate, so that the VA construction program is given oversight by at least four Congressional Committees before it is approved and funds are appropriated. We say categorically, based on our knowledge of the VA system that it is not controlled by local politics. And we believe this Committee should challenge that statement by the Administrator.

There are hospitals in the system that were built prior to World War II, and many more built immediately following WW II, when the system was greatly expanded. These hospitals are simply not configured to accommodate the practice of a medical technology that has changed profoundly during the past 35 years. And, at a time when the VA is being given a new mission by Congress, to act as the principal national security back-up to the military medicine program, the Administrator wants to discontinue the renovation and replacement program. We simply do not understand that kind of thinking, unless it is an attempt to give the American people the impression the Administration will stop spending money for any reason at all.

Two other things about this latest initiative we would like to mention. First, the figures that were provided to local news outlets as to costs and savings contemplated were not in all instances correct. Some of those figures were escalated beyond the point of reality. Why was that done? Second, in the news release by the Administrator, mention was made of "hundreds of new VA medical facilities in communities across the country." This would lead readers to believe the VA is in process of building new hospitals all across the nation. The Administrator knows very well the VA construction program is exclusively for renovation and replacement. There are *no* new facilities planned since the cancellation of the Camden, New Jersey hospital. This appears to be another effort to mislead the American people.

In conclusion, The American Legion offers the thought to the Committee that it should engage the Administrator in open and early dialogue on this entire matter, and should require him to correct the misleading impressions he has created. Thank you.

6.

STATEMENT OF
CHARLES E. JOECKEL, JR.
DEPUTY NATIONAL LEGISLATIVE DIRECTOR
DISABLED AMERICAN VETERANS
BEFORE THE
HOUSE COMMITTEE ON
VETERANS AFFAIRS
MARCH 1, 1982

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

On behalf of the 700,000 members of the Disabled American Veterans I am pleased to appear here today to discuss the budget request of the Veterans Administration for Fiscal Year 1983.

Let me begin, Mr. Chairman, by thanking you and the members of the Committee for soliciting our input on the Fiscal Year 1983 VA budget prior to submitting your recommendations to the House Budget Committee. Today, we will address some of the 1983 budget highlights and comment on the legislative proposals contained in the request.

Mr. Chairman, although outlays for the Veterans Administration are projected to rise by less than 1% in Fiscal Year 1983, this budget, in many ways, attempts to deal with many of the short falls in funding that have occurred in the VA over the past several years. Even though the DAV cannot support all of the proposals and funding levels outlined in the VA request for Fiscal Year 1983, we do, however, wish to commend Administrator Nimmo and his staff for recognizing the drastic impact that continual under-funding has had upon the VA's

Department of Medicine and Surgery -- and, more importantly, to express our sincere appreciation for taking the initiative to change this trend.

I refer, of course, Mr. Chairman, to the fact that the VA health care budget is up by some $530 million over Fiscal Year 1982 and to the $137.2 million increase in the Construction Program. We are not yet prepared to say that the Office of Management and Budget has clearly demonstrated its support for the maintenance of a separate system of health care for veterans, but we can say, at least, that, in terms of the federal budget crisis today, we believe the Administration has dealt fairly and generously with the VA hospital and medical care program.

MEDICAL CARE

We do wish, however, to call your attention to four budget items which impact upon the health care program.

We note on Page 6-15 in Volume II of the detailed text of the Fiscal Year 1983 budget proposal that the Veterans Administration request for Beneficiary Travel is $24.7 million less than the 1982 level. Despite assurances, we are deeply concerned over how such a reduction might impact upon service-connected disabled veterans.

We believe that if the Administration intends to restrict the payment of Beneficiary Travel, then the correct course of action should be taken -- that is, to submit legislation outlining the proposal to achieve this cost-savings. Simply under-funding the travel reimbursement account and parceling out funds in a piecemeal fashion leaves no assurance that veterans entitled to the benefit will actually receive it or that the program will be administered fairly and equitably.

Secondly, we find that no funds have been requested to implement the nurse scholarship program authorized by the enactment of Public Law 96-330. As you know, the Congress appropriated $4 million for this program in Fiscal Year 1982 (P.L. 97-101). The absence of these funds in the 1983 budget poses a very difficult problem for the Department of Medicine and Surgery.

Fiscal Year 1982 appropriations will allow the VA to grant scholarship funds to approximately 300 nurses this year. However, training and the achievement of a Degree under a nursing program requires a two year commitment. Accordingly, if funding is not provided in Fiscal Year 1983, the VA, of course, will be unable to meet its obligations under nurse scholarship contracts -- therefore, losing both the prior funding and the newly trained nurses' two year commitment to the VA health care program.

For these reasons and others, we would respectfully request that the Committee include in its recommendations to the Budget Committee, continued funding at the current level for the VA nurse scholarship program.

The DAV is opposed to the $2.5 million VA request to fund feasibility studies for the contracting out of certain functions currently performed by federal employees within the Department of Medicine and Surgery ($2 million) and for the implementation of a "user's fee" in connection with the care and treatment provided to nonservice-connected veterans not in receipt of VA pensions ($500,000).

As you know, we have already expressed our views concerning the implementation of OMB Circular A-76 with respect to the VA Department of Medicine and Surgery. Frankly, the DAV has no objection to contracting certain minor functions such as general grounds maintenance. However, because of our belief that the contracting out of certain health related functions would adversely impact upon the quality of care provided to veterans, our organization would continue to oppose any contracting of direct or indirect health care services -- even if the studies were completed.

Further, Mr. Chairman, should veterans be charged a fee for services rendered and benefits provided by the Veterans

Administration? This is the question raised by the Administration's request for $500,000 to study the feasibility of imposing a user's fee upon the health care provided to nonservice-connected veterans and by a legislative proposal contained in the 1983 budget request to charge a .5% origination fee in the VA Home Loan Guaranty Program.

Mr. Chairman, the VA already has authority contained in Public Law 96-330 to limit the treatment of nonservice-connected veterans in VA facilities to only those nonservice-connected veterans who can demonstrate, in fact, that they are unable to defray the expense of such care if it were provided in a private medical facility. Therefore, it seems, that the VA would only be assessing a fee upon veterans already known to be unable to afford health care anywhere else.

We would not argue that the assessment of a nominal fee would result in the failure of a veteran to receive such care and treatment. But we would argue, that as the federal deficit rises so would the irresistible urge to increase the fee well beyond the definition of nominal.

The same could be said about the proposal which would assess a similar fee in the VA Home Loan Guaranty Program. Unlike the health care users fee, however, the Administration would charge both service-connected and nonservice-connected veterans for the use of their loan guaranty benefits. Frankly, Mr. Chairman, the DAV is opposed to the concept of charging veterans for the benefits they have earned and, it seems to us, at least, that service-connected disabled veterans have already paid the price.

LEGISLATIVE PROPOSALS

As I stated earlier, Mr. Chairman, the DAV is pleased with most of the funding levels provided in the Fiscal Year 1983 VA budget request. We are surprised, however, that the Administration, in order to keep the growth of the VA budget in check, has placed a disproportionate share of this burden upon service-connected disabled veterans. Some $165.4 million of the $233.6 million in cost-savings proposals contained in the budget would directly impact upon the benefits provided to service-connected disabled veterans.

Mr. Chairman, three years ago in discussing the passage of the measure which eventually became Public Law 95-479 the following assessment was made to justify the extension of dependency allowance payments to service-connected veterans rated 30% and 40% disabled:

> We carefully considered...the amount of other income support available to disabled veterans with dependents, such as Social Security Disability payments. We also examined the rationale behind the House action extending prorated dependents' allowances to veterans with 40% disability ratings, that is, that veterans with disabilities rated at 40% may have substantial impairments of earning capacity and needs for additional income support for their dependents.

> On the basis of these considerations...we agreed on...the prorated dependents' allowances to veterans rated 30% disabled as well as those rated 40% disabled. The extension of such allowances to 30% disabled veterans was based on the view that the justification for the extension to such veterans was comparable to that for 40% disabled veterans.

Mr. Chairman, two of the legislative proposals contained in the Fiscal Year 1983 VA budget request would eliminate the payment of dependency allowances under the compensation program for service-connected veterans rated 30% and 40% disabled and terminate the payment of additional subsistence allowances under the Vocational Rehabilitation Program for service-connected veterans with dependents. The Disabled American Veterans is strongly opposed to the enactment of this legislation.

We note that in its document entitled: Major Themes And Additional Budget Details, the Office of Management and Budget chose to describe the disabilities in the 30% and 40% category as, "relatively minor...such as flat feet, severe chronic laryngitis, severe convulsive tic or a moderate ulcer."

We would point out, Mr. Chairman, that a 30% or 40% evaluation is assigned for disabilities such as the amputation of a lower extremity below the knee, the anatomical loss of one eye, and an injury to the skull resulting in a hole larger than the size of a quarter (25¢). Generally, these disabilities are combat related and cannot be described as relatively minor.

The concurrent enactment of these two proposals would have a drastic impact upon the monetary support provided by the Veterans Administration to service-connected veterans who are rated 30% and 40% disabled and who are training under the Vocational Rehabilitation Program. For example, a 30% veteran with a spouse and two children who is attending school, would stand to lose 32% of the VA payments currently provided; if the same veteran had three children, the reduction in VA support would be 36%. Similarly situated veterans evaluated at 40% would lose 30% in VA benefits for the support of a spouse and two children and 34% in overall payments if the veteran has a spouse and three children.

Mr. Chairman, these are not, in our view, slight modifications in the benefits provided to service-connected veterans with relatively minor disabilities. We, therefore, strongly urge the Committee to support the restoration of $165.4 million in the Fiscal Year 1983 budget to maintain the current levels of dependency allowance payments provided to service-connected veterans rated 30% and 40% disabled and to service-connected veterans training under the Vocational Rehabilitation Program.

Finally, we note that no funding is provided in the FY 1983 VA budget to implement Section 302 of Public Law 97-72 to establish a Small Business Loan Program for Vietnam Era and certain service-connected disabled veterans.

We do know, however, Mr. Chairman, that the current procedures to give extra consideration to Vietnam Era and disabled veterans by the Small Business Administration are not working -- thus, the Congress enacted legislation initiated by this Committee which created a new program within the Veterans Administration.

Accordingly, we support and would urge the Committee to recommend to the Budget Committee funding of the VA Small Business Loan Program at the level authorized in Public Law 97-72.

In conclusion, when considering the various proposals contained in the budget...the assessment of a .5% origination fee in the VA Home Loan Guaranty Program, elimination of dependency allowances for service-connected veterans rated at 30% and 40% disabled, to reduce subsistence allowances paid to veterans with dependents under the Vocational Rehabilitation Program and the failure to fund the Small Business Loan provisions of Public Law 97-72...it can be said that these reductions have their greatest impact on younger veterans who seek to buy homes, who have dependent children, who are attending school and who need special assistance in establishing a business.

Certainly, there can be no criticism of this Committee in terms of providing equal benefits to all veterans of all age groups. However, Mr. Chairman, the Administration's legislative proposals could be viewed in this vein.

Again, Mr. Chairman, I wish to thank you and the members of the Committee for allowing us this opportunity to express some of our concerns regarding the VA budget request for Fiscal Year 1983.

VFW
VETERANS OF FOREIGN WARS OF THE UNITED STATES
NATIONAL LEGISLATIVE SERVICE

Office of Director

STATEMENT OF

DONALD H. SCHWAB, DIRECTOR
NATIONAL LEGISLATIVE SERVICE
VETERANS OF FOREIGN WARS OF THE UNITED STATES

BEFORE THE

COMMITTEE ON VETERANS' AFFAIRS
U. S. HOUSE OF REPRESENTATIVES

WITH RESPECT TO THE PROPOSED VETERANS ADMINISTRATION
BUDGET FOR THE FISCAL YEAR 1983

WASHINGTON, D. C. MARCH 1, 1982

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

Thank you for the privilege of appearing before this distinguished Committee to present the views of the Veterans of Foreign Wars of the United States.

My name is Donald H. Schwab, and it is my privilege to serve the more than 1.9 million men and women of the Veterans of Foreign Wars as their National Legislative Director.

Mr. Chairman, President Reagan has submitted to Congress a proposed 1983 Federal budget of $758 billion with cost-savings of some $56 billion. The Veterans Administration portion thereof of $24.4 billion is an increase of $222 million over 1982 with cost-savings totaling $328.6 million. We are aware that this budget may be subject to modification since counter proposals have been offered by members of Congress. Therefore, we will confine our remarks to that

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which is before us and not proposals made by either the President's Office of Management and Budget or the Congressional Budget Office which may be considered in the 1984 budget.

We are, of course, pleased with the anticipated cost-of-living increase of 8.1 percent for the 2.2 million veterans in receipt of compensation for their service-connected disabilities and their 353,000 survivors in receipt of DIC, the 8.1 percent increase for veterans receiving pension for their non-service-connected disabilities and their survivors effective June 1, 1982. The $530 million increase for the Department of Medicine and Surgery, and the addition of 1,167 personnel is reassuring as are the increases in medical and prosthetic research of $9.6 million, grants to state extended care facilities which are up $2 million and the increase in construction funds of $134.2 million.

Being realistic in these days of severe budgetary constraints, Mr. Chairman, we do not oppose proposed cost-savings in delaying benefits until the month following entitlement, changing the end of the year rule to the end of month or, in the case of pension, paying benefits in even dollars. We do, however, anticipate considerable dissatisfaction with elimination of additional allowances for the dependents of the 504,000 veterans rated 30 and 40 percent disabled due to their service-connected disabilities. It is a matter of record that when legislation was considered which became part of Public Law 95-479, I testified supporting dependents allowance for veterans rated 40 percent since this group includes those with below the knee amputations and those who suffer enucleation of one eye. Veterans with psychiatric problems with definite impairment of social and industrial adaptability are among those rated 30 percent. Compensation is payable for loss of earning capacity and if we are to retreat from the liberalization of this program, which became effective October 1, 1978, we believe it should be accomplished on a case-by-case basis with due consideration to those veterans whose disabilities quite obviously have an effect on their earning capacity. Also, we have reservations with respect to charging veterans who avail themselves of VA home loans a "users fee" of one-half of one percent or approximately $285. Not only would this added cost further inhibit some veterans from purchasing a home, but could well establish a precedent and be the precursor of other "users fees" such as charging veterans for medical care in VA facilities. The projected recoupment of $94.6 million which would be returned to the United States Treasury and not at all benefit veterans' programs is more than twice the cost of operating the home loan program. In addition, we are concerned that the $17 million reduction in beneficiary travel will most hurt those veterans who can least afford any unusual expenditure. As you know, beneficiary travel in general is only paid when pre-authorized unless the patient is hospitalized or treated.

Mr. Chairman, two most important programs authoirzed by Public Law 96-330 are not funded at all in the proposed 1983 budget. The expanded Geriatric Care and Research Program , Title III of the law, has never been funded, yet we are all well aware of rapidly growing number of older veterans and some of the infirmities associated with the aging process. Title II of the law authorized a VA scholarship program for physicians and nurses in training in exchange for a specific service commitment within the VA. The doctors' program has never been funded. The 1982 appropriation contains $4 million for nurses, but no money at all is included in the 1983 budget. The VA-wide shortage of registered nurses, resulting in the closing of entire wards in some instances, makes continued funding imperative if the nursing problem within the VA is to be alleviated. We are not speaking of a great deal of money considering the benefit to be derived in professional care for veterans. Therefore, the VFW requests this Committee to urge continued funding for this program in its report to the Budget Committee.

Mr. Chairman, among reductions in ongoing programs mandated by Public Law 97-35 is the elimination of the $300 burial allowance for the nearly 27 million veterans not in receipt of compensation or pension. Our current Resolution No. 774, a copy of which is attached, calls for the restoration of the VA burial allowance, and a number of bills have been introduced in both Houses of Congress to accomplish this. However, in the interim, Congress should take immediate action to grant the VA both the authority and necessary funding to provide an honorable burial for destitute veterans whose remains are unclaimed and who do not qualify for the burial allowance under present criteria.

Mr. Chairman, given present budgetary constraints, the deep cuts made in other areas and the knowledge veterans' programs could not go wholly untouched, we believe we can in good conscience live with this budget with little change provided further reductions are not made. However, we will not stand idly by and see additional benefits and entitlements eroded piecemeal by another reconciliation bill. To me, our position is a most responsible one and I appreciate this opportunity to express the views of the VFW.

Thank you.

STATEMENT OF

Herbert G. Rose, M.D.

President, Association of VA Investigators and Research Administrators

To the

Veterans Affairs Committee, U.S. House of Representatives,

Washington, DC

March 1, 1982

Mr. Chairman, Members of the Committee,

I am Dr. Herbert G. Rose, Associate Chief of Staff for Research and Development, VA Medical Center, Bronx, New York and President of the newly-formed Association of VA Investigators and Research Administrators (AVIRA). Dr. Philip K. Bondy, ACOS/R&D, West Haven, CT VA Medical Center is Vice President and Dr. Ian E. Bush, ACOS/R&D, VA Medical Center, White River Junction, VT, is Secretary-Treasurer.

Our organization has twelve (12) Regional Directors, each of whom represents the VA Medical Centers within his region.

I have had the privilege of appearing before the Committee in the past during my tenure as 2nd National President of the National Association of VA Physicians. I appreciate the opportunity to appear once again to discuss the unfortunate situation of the VA Medical Research Program.

Last November, pursuant to a request from President Reagan for a 12% reduction in all government programs, VA Research Service funding was reduced to $128 million dollars, or $22.5 million dollars below the initial Congressional figure of $151million dollars. This is a reduction of 15%. Assuming a 7.5% inflation rate, Research Service would have needed approximately $142 million dollars to break-even . Thus Researchwas forced to operate with a net loss below FY 1981 of about 10%. In contrast, the research program of the Department of Health and Human Services suffered only a 4% cutback from their targetted Congressional figure.

VA patient care and education budgets were exempted.

On November 30, 1981, VA Central Office announced the consequences of this revised budget as follows:

1. All new research programs were stopped, even if favorably reviewed by the peer-review process. This included investigator-initiated grants, career-development positions, and special research on Agent Orange and Alcoholism.
2. No new Co-operative Studies were to be funded.
3. Start-up funding through Regional Advisory Groups was curtailed.
4. Programs approved in the past with low priority scores were called in for re-review.
5. A new category of programs which are approved but not funded, because of low priority score, was created.
6. The phase-out period after disapproval of a grant renewal was reduced to only three months at 60% of approved level.
7. Reductions were made in Rehabilitation Engineering R&D and Health Services R&D funding.
8. Local Stations were told to absorb three-fourths of their employees' cost-of-living increase for the year.
9. A rigid ceiling was imposed on new hiring.
10. New deadlines were set so that no funding could be provided before October 1982, if then.

To my knowledge, stringencies of this severity are unprecedented in the history of the VA Research Program. An analogy phrased in terms of the

Hospital System might be to close the doors to all new admissions until the bed census is reduced by 12% through discharges. For at least the last six years, the VA Research Program has experienced a constant budget in real dollars, in the face of a growing number of Hospitals with research programs. In 1970, Research funding was nearly 3.5% of the Hospital System budget. Today it is only 1.9%. Research is clearly the weak sister in the triad of patient care, education and research. This has been true in the past as it is today, despite the achievements and productivity of the Research Program. This has been true despite the awarding of two Nobel Prizes to VA Scientists in 1977. This has been true despite the manifest contributions of Research to VA patient care and clear evidence that the Research Program helps attract top-quality doctors to the VA Medical Staff.

Does this problem arise simply because research is viewed as an expensive frill that is not essential to patient care or education? It may be that the merits of the VA Research Program are simply not believed. The prestigious National Academy of Sciences studied the VA Research Program in 1977 and concluded that the Program was in fact meritorious and that it did contribute to high-quality patient care. We can provide many demonstrations supporting both of these conclusions. Perhaps what is needed is a site visit to VA Medical Centers to witness how Research Programs function in a hospital, and what Investigators are trying to accomplish. I invite you and your staff to do just that, subject, of course, to approval of Center Directors. You may be surprised to find how large a number of staff doctors in VA Medical Centers not only engage in patient care and teaching of house staff, but also participate in research projects. Research is part of the business of a VA Medical Center. At my hospital, the Bronx VA Medical Center, 73% of the clinical staff in our four major services (Medicine, Surgery, Psychiatry & Laboratory Service) participate in research projects. These projects are designed to improve diagnostic accuracy, find better ways to treat disease, and to increase understanding of the mechanisms of disease. Patients benefit as a result anddoctors enjoy the challenge of trying to solve difficult problems, and the gratification of making contributions to better medical care. Of the staff doctors at my medical center, 35% have sufficient training and ability for obtaining funding for their research activities. Most of this funding is from the VA, through Merit Reviews, Co-operative Studies, or special programs. Another 10% plan to seek support in the future. The basis for these figures is a survey which we conducted on staff involvement in research which I have appended to this statement and ask that it be entered into the record. This survey demonstrated just how extensive is Medical Staff involvement in research. The figures are even more impressive when you consider that my Medical Center is not strongly university affiliated. That so many physicians can obtain research funding is a testimonial to their commitment to medical research. Doctors, after years of clinical training, devote extra years to training in research laboratories in order to compete in a wild scramble for uncertain support. They spend innumerable after-work hours drafting grant proposals only to be told their proposal is great, but there is no money this year. But the VA promised them in its recruitment literature that VA Centers offered opportunities to participate in research. They do not ask for a hand-out. There is no entitlement program giving research grants to staff doctors. They ask for a chance to compete for modest support with a reasonable expectation of success. They receive no extra pay for their efforts and if the Research Program collapses tomorrow, they would not be out of a job. This desire to do research from some of the brightest and most capable doctors in the Hospital System is of enormous value to the VA, its patients, and to the medical research community. It should be encouraged. The cost involved is small, but the yield large. It need come as no surprise if the reaction of VA Staff to the research cutbacks is one of disillusionment and disappointment. They had hoped for better understanding from Washington. Speaking for the VA Investigators and Research Administrators, I ask that your Committee consider the consequences of these disastrous cuts and restore funding to the level originally intended by this Committee and the Congress.

March, 1982

RESEARCH INVOLVEMENT OF STAFF PHYSICIANS

VA MEDICAL CENTER, BRONX, NEW YORK

Charts show participation of VA staff physicians in four major services of the VA Medical Center, Bronx, New York. All staff members carry major responsibility for clinical care, i.e., Service Chiefs, Assistant Chiefs, Section Chiefs, and Assistant Section Chiefs. Participation of consultant or attending physicians is not shown. Abbreviations as follows: Funded studies shown by asterisk (*), a non-funded study, may include a pending application for funding, an approval without funding, or a disapproval with intent to resubmit.

MR: VA Merit Review Grant
HHS: Grant from Department of Health & Human Services
Pharm: Pharmaceutical Industry Grant
Found: Foundation Grant
LAS: Locally approved study, non-funded
Co-op: VA Cooperative Study
Center: Center Grant from VA or HHS

DEPARTMENT OF SURGERY

Chief; Co-op*

Assistant Chief; LAS

General Surgery Sections

1. Co-op*
2. MR, not funded, approved
3. LAS
4. LAS
5. —
6. —
7. —
8. —

Ophthalmology

1. MR*

Cardiothoracic

1. MR, approved, not funded
2. —

Head and Neck

1. LAS
2. —

Neurosurgery

1. MR, disapproved

Ear, Nose, Throat

1. —

Urology

1. Co-op*

Orthopedics

1. —

Plastic

1. LAS

Total:	(funded*):	MR*, 1/20 Co-op*, 3/20
	non-funded:	LAS, 5/20 MR, 3/20
	no participation:	8/20

PSYCHIATRY SERVICE

Chief; MR*, HHS Grant*, VA Schizo. Center*

Assistant Chief; LAS

Special Diagnostic & Treatment Unit; MR*, HHS*, VA Center*

1. Chief;
2. Medical Director; LAS
3. Psychologist; MR*

Outpatient

1. Chief,Screening; MR*
2. Chief, Ambulatory Care; LAS, HHS*
3. Clinic; —
4. Day Hospital; CD application

Drug Unit

1. Chief; LAS, MR pending
2. —

Acute Treatment

1. —

Alcohol Unit

1. Chief; RAG*, MR pending
2. Assistant; MR*

Total: (funded*):	MR*:	4/14
	HHS*:	2/14
	RAG*:	1/14
	non-funded:	LAS, 4/14
	no participation:	3/14

MEDICAL SERVICE

Chief; LAS

Assistant Chief; LAS

Section Chiefs

1. Cardiology, LAS, Pharm. Ind.*
2. Endocrinology; LAS, MR pending
3. Hematology; MR*
4. Pulmonary; Found.*, MR pending
5. Renal; MR*
6. Infectious Disease; LAS, Pharm. Ind*
7. Cancer Chemo.; LAS
8. GI and Liver; MR pending, Alcohol Center, HHS*

Total: (funded*):	MR*:	2/10
	HHS*:	1/10
	Pharm*:	2/10
	Found.*:	1/10
	non-funded:	6/10
	no participation:	0/10

LABORATORY SERVICE

Chief; MR*

Assistant Chief; ——

Staff Pathologists

1. Neuro; LAS
2. LAS
3. ——
4. ——

Blood Bank

1. Chief, MR*, HHS*

Clinical Chemistry

1. LAS

Total (funded*):	MR*:	2/8
	HHS*:	1/8
	non-funded:	2/8
	no participation:	3/8

Summary: Of 52 staff physicians, 14 do not participate in research projects and 38 do. Thus, 73% are involved in research at some level. Of the 38 physicians, 18, or 47% have research funds. Two have funds from more than one source. VA Merit Reviews are the major single source of support (9/18, or 50%), while VA Cooperative Studies support 3/18. Outside support consists of 4 grants from HHS, 1 from a foundation, and 2 from the Pharmaceutical Industry. Participation in locally approved, usually non-funded, studies is 17 of the 38 or 45%. Another five doctors intend to apply for Merit Review support. Participation includes two Center Grants, i.e., VA Schizophrenia Center and HHS Alcohol Research Center.

VA staff doctors participate to a major degree in medical research. Approximately 35% of clinical staff doctors are able to obtain funds for research projects. The primary source is the VA Medical Research Program.

VETERANS' ADMINISTRATION,
OFFICE OF GENERAL COUNSEL,
Washington D.C., April 13, 1982.

Hon. G. V. (SONNY) MONTGOMERY
Chairman, Committee on Veterans' Affairs,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: In response to the questions submitted, I am sending you the revised answers for inclusion into the record. I appreciate this opportunity to further clarify our views.

Sincerely,

JOHN P. MURPHY, *General Counsel.*

QUESTIONS SUBMITTED FOR THE RECORD BY CHAIRMAN MONTGOMERY

Question 1. Although on balance your budget is reasonable given the current economic situation, the proposed reduction in benefits affects the service-connected disabled veteran more than the nonservice-connected disabled veteran. How would you explain that to a veteran who lost a leg below the knee in Vietnam?

Answer. To effect cost containment the Department was asked to identify within the benefit programs savings of some $709 million, a figure which was negotiated downward by our Administrator.

We had to look at all our programs and decide where the least hurt would be done to persons affected by changes.

I would tell a veteran who lost a leg below the knee in Vietnam that our two major programs—compensation under which he receives his benefit was funded at a level over $8 billion in 1981 and will exceed $9 billion in 1982 and 1983 while the pension program was funded in 1981 and in 1982 under $4 billion and is estimated at slightly over $4 billion in 1983. I would further tell him that to qualify for pension a Vietnam veteran would have to be disabled as a result of illness or accident not connected with his military service at the 60 percent level for one disability or at 70 percent with one disability rated at 40 percent and further that his income may not exceed $4,960, his pension benefits are reduced dollar for dollar by annual income which includes his social security. If he had a wife and child his income—family income—could not exceed $6,499 to retain his pension eligibility.

The veteran rated 40 percent service-connected is paid $232 monthly plus $28 per month (total of $260) for a wife or other dependent. The eligibility for dependents' allowances was not legislated in response to a groundswell of demand in 1978 and all persons rated at 30 and 40 percent were asked to apply for the added benefit. This add-on of $28 or more was a generous gesture which we felt was not so entrenched that the community was reliant on those added dollars.

As a rated service-connected veteran he is eligible for vocational rehabilitation and clothing allowances, neither of which is available to his pensioned peer, who, by the way could have served in the same military service, but came out unscathed.

Mr. Chairman, the response is lengthy, but I feel the depth of the question warranted an in-depth answer.

Question 2. You recommend that we eliminate subsistence allowances for dependents of service-connected disabled veterans going to school under the Chapter 31 program. Why would you propose to eliminate the subsistence allowance for this program, and not recommend the same reduction for nonservice-connected disabled veterans going to school under the Chapter 34 program?

Answer. We do not propose to eliminate the additional educational assistance allowance for dependents of nonservice-connected disabled veterans under Chapter 34 since the circumstances of Chapter 31 and 34 beneficiaries are not parallel. Under Chapter 34, we pay a monthly assistance allowance designed, by law, "to meet, in part, the expenses of the veteran's subsistence, tuition, fees, supplies, books, equipment, and other educational costs." In connection with Chapter 31, on the other hand, we pay all of the veteran's education expenses plus a subsistence allowance. Disabled veterans are also paid an assistance allowance for their dependents through their compensation benefit payments and this represents a duplication of such benefits. Thus, the nonservice-connected veteran must pay tuition and fees and related education expenses out of his or her monthly assistance benefit whereas the Chapter 31 veteran has all of those expenses paid. In fiscal year 1983, the average payment for each Chapter 34 veteran in training is estimated to be $1,998 while the average payment for a Chapter 31 trainee will be $3,986. Enactment of this proposal will reduce the Chapter 31 average payment to $3,330 or $1,332 greater than the average payment for a Chapter 34 veteran in training. Of the $3,330 payment to Chapter 31 trainees, over $1,500 represents payments for tuition, fees, books, supplies and equipment, whereas the Chapter 34 trainee would have to pay this out of his average payment of $1,998.

Question 3. Would your response be different for veterans in the Chapter 31 program attending tuition free schools, such as those in the State of California, or low tuition schools?

Answer. Our response would not be different for veterans enrolled under Chapter 31 and attending tuition free or low tuition schools. The rationale for the proposal to eliminate the dependent's allowance under Chapter 31 is still valid under these conditions. However, the rationale for not eliminating the Chapter 34 dependent's monetary consequence of Chapter 34 veterans attending low cost schools would be that more of their educational allowance would be available to meet family expenses, however, not to a level to justify recommending the elimination of the dependent's allowance under Chapter 34.

Question 4. According to your budget documents, legislation to amend the definition of dependent child for certain pension purposes would save $30.3 million in fiscal year 1983. The proposed legislation submitted to the Speaker of the House shows a savings of only about $13 million. Please explain the difference.

Answer. The legislation proposed in the fiscal year 1983 budget would have eliminated payments to all post-secondary school children aged 19 or older. The current proposal is to treat children in a fashion similar to those covered under Social Security, i.e., allow those currently enrolled in post-secondary schools to remain in school but reduce their payments 25 percent in fiscal year 1983, 50 percent in fiscal year 1984, 75 percent in fiscal year 1985 and terminate payments entirely after fiscal year 1985. Both proposals would extend entitlement age for secondary school attendance to age 19.

Question 5. It is reasonable to assume that many letters will have to be answered explaining why we would terminate benefits for dependent children 18 years of age and older whose income is so low that they recieve a Federal support payment. How would you respond to such inquiries?

Answer. Non-service-connected pension is a needs-based program which provides assistance to disabled or aged veterans and their dependents. Children in post-secondary education should not be included in the consideration of the dependents for whom the veteran or surviving spouse has a continuing obligation to support. The children who would be affected will be of legal age in almost all jurisdictions and it is reasonable to expect them to secure the financial resources necessary to continue their schooling.

Question 6. I'm certain you are aware of this Committee's concern with contracting out and the action we initiated last year in that regard. How do you feel about contracting out for services in VA hospitals? Do you really believe it can be done cheaper by private contractors than in-house? If so, how can a profit motivated business perform the same quality of service for less cost?

Answer. I believe the government should rely principally on the nation's private enterprise to furnish the goods and services the government requires to do its work. My philosophy agrees with that expressed in OMB Circular A-76. In the Department of Medicine and Surgery, direct care activities will not be subjected to the contracting out initiative; thus, I foresee no insurmountable problem with potential DM&S contracts in the A-76 program.

In answer to your second question, on a long-term basis, I believe contracts for commercial-industrial type activities could be more economical to the government than in-house performance, even if contract performance might be slightly more expensive from year-to-year. The greatest potential cost avoidance (and ultimately, saving to the taxpayers) is in eliminating the requirement for direct employee benefit programs (health insurance, life insurance, retirement, and other benefits), eliminating or reducing indirect supports to employment programs (personnel administration, pay systems, fiscal operations, uniform issue, etc.), and avoiding some investment by the government in plant and equipment. At this point, I cannot predict to the Committee how these factors will affect the VA's long-range "balance sheet" on A-76; the same holds true for your question about the quality of contract services. However, I believe the VA department heads will ensure that commercial-type services will be sustained at an acceptable quality level, whether they be furnished "in-house" or by service contact.

Question 7. How many OMB Circular A-76 cost comparison studies can be funded from the $2 million proposed in the fiscal year 1983 budget?

Answer. Assuming each study would cost about $7,500, the requested funding would enable DM&S to perform 260 individual studies.

Question 8. What will be the schedule for these studies?

Answer. The schedule of reviews to be fomulated will not commence prior to October 1982. Necessary preparations will probably delay studies from beginning prior to January 1983. For your information, the specific functions we plan to study are grounds maintenance, medical transcription, and painting. The primary sites for such studies will be our larger, metropolitan VA medical centers. The level of funding requested is not intended to permit a comprehensive, systemwide approach.

Question 9. Are any projected cost savings related to contracting out under Circular A-76 reflected in the fiscal year 1983 budget?

Answer. No.

Question 10. In view of the concerns voiced during the Committee's hearings on Circular A-76 the Committee's hearings on Circular A-76 in the first session of the 97th Congress, please provide us a detailed plan of your proposed A-76 procedures, assuming appropriation of the $2 million, including the role of Central Office in reviewing the survey results.

Answer. Our basic approach would be no different in this instance than it was in the original implementation plan—with one exception. Funds from the requested $2 million would be allocated to specific facilities where studies are to be scheduled. Basic policies and procedures for the A-76 program are contained in VA Circular 00-81-32, dated July 31, 1981, which has already been distributed to the field facilities. This directive is a fully consistent companion to OMB Circular A-76 and the Cost Comparison Handbook, both of which were distributed previously to the field. We anticipate no change to the basic approach required therein. Incidentally, Central Office oversight and specific review/approval are important components of the VA policy in accomplishing A-76 studies. A copy of VA Circular 00-81-32 is attached for the information of the Committee.

Policies For Acquiring Commercial Or Industral Products And Services Needed By The Government

Section I. General

1. Purpose

This circular implements OMB Circular No. A-76 as revised by Transmittal Memorandum No. 4, dated March 29, 1979. The revised OMB circular has been distributed to all departments, staff offices and facilities, as has supplement No.1 to the circular. The supplement is entitled "Cost Comparison Handbook." Except where necessary for augmentation and emphasis, or to assure continuity and understanding, material contained in OMB Circular No. A-76 is not repeated in this VA circular. Consequently, OMB Circular No. A-76 and supplement No. 1 must be read in conjunction with directive.

2. Scope

a. This circular will be used within the VA to insure adherence to OMB Circular No. A-76. It prescribes the methodology and procedures which must be followed in order to determine whether or not existing VA commercial or industrial activities will be continued and whether or not new inhouse capabilities will be established in lieu of contracting for the required services.

b. This circular applies to all departments and staff offices.

c. Contracts which establish a situation tantamount of an "employer-employee" relationship are precluded by Federal personnel laws. This prohibition is not overridden by OMB Circular No. A-76 (par. 6d(2) of the OMB circular). The VA has thus far indentified telephone switchboard operations (excluding maintenance) as an activity which falls into the employer-employee relationship category, and which is therefore exempt from the provision of the OMB circular.

d. In addition to the limitations of applicability in paragraph 6 of the OMB circular, title 38 of the United States Code mandates the VA to conduct certain activities that might otherwise be considered commercial/industrial. Accordingly, OMB Circular No. A-76 will not be applied to those activities. Activities so identified are as follows:

(1) Medical research activities to be conducted in house at a VA health care facility (38 U.S.C. 4101(c)).

(2) Canteen Service operations (38 U.S.C. 4202).

(3) Medical, dental and ancillary activities (reference M-1, pt.I, app.A) conducted inhouse for the diagnosis and treatment of patients are considered integral parts of health care facilities which are operated as an agency mission function (38 U.S.C. 4101)

e. Pursuant to paragraph 6d(3) of the OMB circular, it is emphasized that this circular will not be used soley to meet personnel ceilings or to avoid salary limitations.

3. Responsibilities

a. Specific Responsibilities.—

(1) The Assistant Deputy Administrator (003) is designated as the official having overall responsibility for implenenting OMB Circular No. A-76 within the VA. Staff support will be provided by the Assistant Administrator for Supply Services (90).

(2) The Deputy Administrator (001) is designated as the offical to hear appeals from determinations made under OMB Circular No. A-76 (par. 11)

(3) The Associate Deputy Administrator (002) is designated as the official to approve new starts involving a capital investment or annual cost of $500,000 or more. New starts involving lesser amounts will be approved by the head of the department or staff office. The Associate Deputy Administrator is also the official designated to approve the continuation, replacement, expansion or new starts of activities on a noncost basis pursuant to paragraphs 5f and 8a(1)(b) of OMB Circular A-76.

(4) The individuals designated below will serve as central points of contact for their respective department or staff office. Such individuals will maintain the documents and data, and respond to all requests concerning such data, as provided in paragraph 10a(2) of OMB circular No. A-76.

(a) Director, Plans and Programs Staff (40D), Department of Memorial Affairs.

(b) Director, Administrative Service (23), Department of Veterans Benefits.

(c) Assistant Administrator (03), Office of Administrative Services.

(d) Chief, Procurement Contracts and Records Management Division (30A3), Office of Data Management and Telecommunications.

(e) ACMD for Administration (13), Department of Medicine and Surgery.

(f) Director, Management Staff (08C), Office of Construction.

(5) The Assistant Administrator for Personnel is designated as the official to provide advice and assistance on all matters having personnel management implications. This includes appropriate coordination of national consultation with union headquarters; insuring that locals of exclusively recognized bargaining units are dealt with appropriately; providing complete and accurate data on classification and job grading, position management, pay benefits, severance pay, and relocation expenses for personnel costing purposes; providing complete information on internal and external placement programs, RIF procedures, grade and pay retention and other related matters. Major emphasis will focus upon early planning; anticipating results; establishing programs to minimize adverse impact on affected employees; establishing and keeping lines of communications open with all affected organizations, management officials, supervisors and employees, and recognized labor organizations. The Assistant Administrator for Personnel will also provide advice and assist-

ance, as requested, to departments and staff offices for matters within departmental or staff office jurisdiction.

b. General responsibilities.—Departments and staff offices having commercial/industrial activities will—

(1) Identify those activities and maintain an inventory of them in the prescribed manner.

(a) Determine which of their functions are Government functions (par. 5f of OMB Circular No. A-76). Where such functions are the same or similar to the list of commercial/industrial activities contained in OMB Circular No. A-76, a written determination will be made citing the basis for classifying the activity as a Government function. The determination will clearly set forth the reasons that an activity normally considered commercial in character must, for the purposes of the VA, be performed inhouse. Such determinations will be signed by the respective department or staff office head, and transmitted to the Associate Deputy Administrator (002) for approval through the Assistant Deputy Administrator (003), to support the absence of such activities from the inventory report.

(b) Resolve questions from facilities pertaining to activities not shown on the "List of VA Commercial Activities and Corresponding Activity Codes," Attachment A to VA Circular 00-79-17. In coordination with the Office of Supply Services (90) establish new or revised activity designations as needed.

(2) Subject to the approval of the Associate Deputy Administrator (002), determine which of its activities must be conducted inhouse on the basis that use of a private commercial source would cause an unacceptable delay or disruption of an essential program (par. 8a(1)(b) of OMB Circular No. A-76). Such determinations should be made as early in the review cycle as is feasible.

(3) Schedule reviews of commercial/industrial activities in accordance with OMB Circular A-76.

(4) Conduct reviews in accordance with approved schedules.

(5) Take action as indicated by the reviews and record the results in the inventory records.

(6) Issue any instructions to facilities or commercial/industrial activities deemed necessary to insure compliance with this circular. A copy of such instructions will be provided the Assistant Deputy Administrator (003).

(7) Provide necessary training to the personnel who will conduct the reviews and cost comparisons, in collaboration with the Office of Supply Services, the Controller and the Assistant Administrator for Personnel as necessary. Further information will be provided as training courses and schedules become known.

(8) Provide for the independent review of all cost comparisons to insure conformance to the instructions in the Cost Comparison Handbook, as required by paragraph 9f of OMB Circular No. A-76.

c. Special Assistance.—In certain cases it may be appropriate for P&PE (Planning and Program Evaluation) (07) to provide for an independent review and/or cost comparison. Generally, P&PE will be involved when activities involving more than one agency element require special attention (for example, consolidation of laundries involving more than one Medical District). The purpose of this is to provide resources for unusual, complex situations generally beyond the scope of individual departments. A request for such assistance may be made only by the head of a department or staff office.

4. Inventory of commercial industrial activities

The initial inventory has been prescribed by VA Circular 00-79-17. Certain subsequent actions are provided for in this circular. Further instructions will be provided on the method of updating and on management reports to be utilized.

5. Inventory of contracts

The inventory of contracts required by paragraph 10b(2) of OMB Circular No. A-76 will be produced in accordance with instructions to be provided separately. As soon as the necessary information is obtained, an inventory listing will be provided to the departments and staff offices concerned. Schedules for review of contracts will be developed by the department or staff office concerned and submitted to the Deputy Administrator (001) through the Assistant Deputy Administrator (003). Upon approval by the Deputy Administrator, the schedules will be submitted to OMB. A copy of that submission will be forwarded to the Office of Management Services for publication in the "Notices" section of the Federal Register, accompanied by a preamble following the usual format, as appropriate.

6. Organizing the review process

a. The magnitude of the review program requires that it be decentralized to the maximum degree practicable. Accordingly, heads of activities will organize a management team to make the reviews. Because of the importance of the review process, the team will be headed by a senior management member of the facility staff and will include representatives of other specialty areas whose expertise is involved (e.g., the activity official, Personnel, Fiscal, Supply, Engineering, etc.). Commercial/industrial activities conducted in Central Office will be reviewed in accordance with instruction provided by the head of the department or staff office concerned. Local management will take all possible steps at the earliest practical time to minimize any potential adverse impact on present employees, in accordance with paragraph 3a(5) of this section.

b. Local management should further insure that the activities under review are organized and staffed for the most efficient performance pursuant to paragraph 9(c)(1) of the OMB circular.

7. Consultation with recognized labor organizations

Facilities will:

a. Furnish a copy of this circular to exclusively recognized labor organizations representing employees covered by its provisions.

b. Meet in advance with exclusively recognized labor organizations to consult regarding implementation of provisions of the circular and its impact on affected unit employees.

c. Review existing negotiated agreements for applicable provisions. Care must be exercised to avoid any inference of negotiation of the decision of whether or not to contract out.

d. Furnish a copy of the review schedule pertaining to their commercial/industrial activities (including any changes thereto) to exclusively recognized labor organizations representing the facility employees.

SECTION II. REVIEW OF EXISTING COMMERCIAL/INDUSTRIAL ACTIVITIES

1. Schedule of reviews

Review schedules will be developed by each department and staff office which operates commercial/industrial activities. The schedules will be prepared from the inventor data obtained pursuant to VA Circular 00-79-17. Adjustments to that data will be made in accordance with the provisions of this circular.

a. Each department and staff office head will be provided a listing of those commercial/industrial activities being conducted within the respective department or staff office as reported in consonance with VA Circular 00-79-17. The listing will be in computer printout format and will list each facility and each facility's commercial/industrial activities.

b. Each department and staff office will, in accordance with separate instructions, return the listing to the Assistant Administrator for Supply Services with written annotations indicating the month and year that each commercial/industrial activity will be reviewed, and which, if any, will be reviewed centrally to determine if contracting out is compatible with an essential agency program. The review dates and footnotes will then be updated into the computer data bank.

(1) Where a particular activity exists in two or more facilities in the same locality, and especially where different departments and staff offices are involved (e.g., a regional office and a medical center in the same city), the review schedule for that activity at each facility should normally be the same.

(2) Identification of activities common to two or more departments and staff offices will be provided, to enable scheduling offices to coordinate their schedules with each other.

c. An agencywide inventory of commercial/industrial activities, with the established review dates, will be compiled from the individual department and staff office submittals. This agencywide inventory will be transmitted to OMB upon approval of the Deputy Administrator. A copy of the inventory with review dates will be forwarded to the Office of Management Services for publication in the "Notices" section of the Federal Register, accompanied by a preamble following the usual format. Concurrent with the transmission to the Office of Management Services, a copy of the review schedule will be provided the Assistant Administrator for Personnel (058).

d. The approved department and staff office review schedule will be returned to the respective departments and staff offices. (A copy of the approved review schedule will be provided the Assistant Administrator for Personnel (058).) This schedule will then be used for monitoring the completion of reviews against the established schedule. Instructions are being developed regarding the procedures to be used for updating the commercial/industrial activity inventory with respect to the results of reviews, rescheduling reviews after the initial review is completed, deleting activities from the inventory in the event of conversion and making other pertinent revisions. When such instructions are developed and requisite programming completed, the instructions will be furnished as a supplement to this circular.

e. Pertinent management information records will be developed as a derivation of the commercial/industrial activity inventory data base in order to assist departments and staff offices in the monitoring of the review schedule. When all appropriate programming has been accomplished, the nature and format and the procedure for obtaining these records will also be clarified as a supplement to this circular.

f. Requests for extension of review periods may be initiated by the head of the concerned department or staff office. The requests will be addressed to OMB, prepared for the signature of the Deputy Administrator (001), and routed through the Assistant Deputy Administrator (003).

g. Proposed changes in approved review schedules may be initiated by the head of the department or staff office concerned and routed to the Deputy Administrator through the Assistant Deputy Administrator. Upon approval of the Deputy Administrator, the revised schedules will be forwarded to the Office of Management Services for publication in the Federal Register. Such proposed changes must be prepared and routed in order to insure receipt by Management Services in sufficient time for publication 60 days prior to the previously scheduled review date. (A copy will be furnished the Assistant Administrator for Personnel (058).)

2. Work statements

a. Work statements will be developed by each facility for the individual commercial/industrial activity under review unless otherwise provided by the respective department or staff office. (See Statement of Work on pages 5 and 6 of the A-76 Cost Comparison Handbook.)

b. The work statements form the foundation upon which the ensuing cost comparisons will be based. As specified in the OMB circular, both Government and commercial cost figures must be based upon the same scope of work and the same level of performance. The work statements will therefore form the basic solicitation performance specification from which potential contractors will submit their bids.

c. When the work statement is developed at facility level, the servicing Supply Officer should be consulted to insure its adequacy as a contractual specification.

d. When the work statement is developed at department or staff office level, the Assistant Administrator for Personnel (058) will be furnished two copies of the draft work statement and allowed 35 days for comment prior to release to field facilities for use in the cost-comparison review. Additionally, the Office of Supply Services (93) may be consulted as to its adequacy as a contractual specification.

3. Notice in the Commerce Business Daily

a. Where it is unknown that there are two or more autonomous commercial firms interested in providing the commercial/industrial function under study, the facility conducting the review will place notices in the Commerce Business Daily as prescribed by paragraph 8a(2)(a) of OMB Circular No. A-76.

b. The notices will be constructed to determine those commercial firms that would be interested in submitting bids for the requisite workload in the event a solicitation were issued. The notices will generally specify the work involved and clearly indicate that unless two commercial firms indicate their interest, no formal solicitation will be issued.

c. In the event that less than two firms respond to the notice, it will be considered that "no satisfactory commercial source is available." In this case the facility will forward its findings and verifications of the Commerce Business Daily notices to the cognizant department or staff office. The department or staff office head will update the inventory record accordingly. No further action (i.e., development of a solicitation or inhouse cost estimates) will be required of the facility with regard to the review of an activity having been found not to have satisfactory commercial sources. Deviations from this policy may be authorized by the Assistant Deputy Administrator.

d. The requirement that two affirmative responses must result from the notice placed in the Commerce Business Daily and the subsequent requirement that two responsible bidders respond to the solicitation are intended to protect the VA from relying upon a single source. Such reliance could result in that source unreasonably increasing its contract price in ensuing contract periods due to the absence of competition or in the curtailment of needed service in the event that source refused to or could not provide services in ensuing contract periods. Consequently, the requirement for two bidders in cost-comparison studies is the general policy of the VA, and will be deviated from only when it can be substantiated that reliance upon one source will not jeopardize the effective operation of the facility. However, for pertinent reasons (e.g., regulated services such as utilities, firefighting and refuse disposal), a facility may determine that the two bidder policy is unnecessary. A facility wishing to deviate from this policy may do so on its own authority for activities costing less than $100,000 per year. Deviations for activities costing in excess of $100,000 per year must be requested, with full written justification, from and approved by the Assistant Deputy Administrator. When such deviations are authorized, the notices in the Commerce Business Daily (par. 3b of this section) and the clause specified in paragraph 4c of this section are to be modified accordingly.

4. *Development of the solicitation*

a. In the event it has been determined that there are two or more responsible firms interested in performing the work, the facility will proceed with development of the required firm bid solicitation and the inhouse cost estimates. The solicitation performance specification will consist of the work statement.

b. In order to allow time for the mandated cost-comparison review and the potential appeal of cost-comparison decisions, the solicitation will require 90 days for bid acceptance.

c. In addition to the clauses and provisions required by Federal and VA Procurement Regulations, the solicitation will include the following provisions:

"Notice of cost comparison".—Bidders are placed on notice that this solicitation is subject to a Government cost comparison to determine the economical feasibility of accomplishing the specified work inhouse or by contract. A contract may or may not be awarded, depending upon the outcome of the cost comparison. Bidders are also placed on notice that no contract will be awarded, irrespective of cost comparison results, unless two or more responsible autonomous bidders respond to this solicitation.

The results of the cost comparison and the appropriate backup documentation will be made available for public display as soon as practicable after opening of bids. Notification of such availability will be made by the contraction office.

Ten working days (unless a longer period is established by the Contracting Officer) will be allowed from the date of notification of the availability of the cost comparison for review, for appeals from the cost-comparison decision, These appeals will be used only to resolve questions of the determination between contract and inhouse performance, and will not apply to questions concerning award to one contractor in preference to another contractor. Appeals must be furnished to the Contracting Officer in writing, clearly setting forth the specific objection(s), within 10 working days (or longer period established by the Contracting Officer) after notification of the availability of the cost comparison for public viewing. [end of clause]

"Right of first refusal".—If this solicitation results in the award of a contract, the contractor will grant those Federal employees displaced by direct result of such contract the right of first refusal of employment openings created by the contractor. This provision will apply only to job openings for which such displaced employees are qualified, and will not apply when such employees would otherwise be prohibited from such employment by the Government post-employment conflict of interest standards. [end of clause]

d. If the anticipated contract amount meets or exceeds the amounts specified in either VAPR 8-1.403-51 or 8-1.403-60, the proposed solicitation will be forwarded for the indicated legal or technical review.

5. *Development of inhouse cost estimates*

The inhouse cost estimates will be developed in accordance with the Cost Comparison Handbook. If, as the result of management review of the inhouse activity pursuant to section I, paragraph 6b of this circular, the activity will be or is being reorganized and staffed, the inhouse cost estimate will be based upon that reorganization or staffing. NOTE: See par. II.D.2. of the A-76 Cost Comparison Handbook regarding the requirement that any planned reorganization or staffing must be initiated within 30 days after a determination to continue Government performance. Primary responsibility for the inhouse cost estimates will normally be that of the facility management team (see sec. I, par. 6), in conjunction with the servicing Fiscal activity. The inhouse cost estimates will be sealed in an envelope and furnished to the contracting officer. The contracting officer will insure that the estimated costs are not revealed until bid opening.

6. Development of and independent review of cost comparison

a. At the bid opening the contracting officer will open all bids and will also open the inhouse cost estimates. The contracting officer will emphasize to all interested parties present at the bid opening that contract award or cancellation of bid will be dependent upon the final cost comparison to be developed. Furthermore, it will be clearly stated that the solicitation will be canceled in the event that less than two responsible bidders submitted bids, i.e., affirmative determinations of responsibility as set forth in the Federal Procurement Regulations subpart 1-1.12, will need to be established for a least two bidders.

b. In the event there are less than two responsible bidders, it will be considered that "no satisfactory commercial sources are available." In this case, the facility will forward its findings, copies of the solicitation, inhouse estimates, bids and any determinations of nonresponsibility to the cognizant department or staff office. The department of staff office head will update the inventory records accordingly. All interested parties to the solicitation will be informed of the findings of the contracting officer.

c. In the event that it is determined that two or more responsible bidders have responded to the solicitation, the facility will proceed with completion of the Cost Comparison Form and the Decision Form Summary, as prescribed in the Cost Comparison Handbook. Upon completion, they will be forwarded to the department or staff office element responsible for the independent review of the cost comparison. Included with the submission will be copies of all backup documentation for each of the cost calculations. The independent review will verify the adequacy and accuracy of the cost comparison and the validity of the recommended action. The Cost Comparison Form and the Decision Form Summary, either approved, approved with recommended revision, or disapproved with appropriate direction will be returned to the preparers of the cost comparison. The approved forms, after any recommended revisions have been accomplished, will be returned to the contracting officer. At that time the contracting officer will announce the results of the cost comparison to all interested parties and make available the detailed analysis and all documentation. Copies of the detailed analysis and all documentation will be provided upon request. A minimum of 10 working days and a maximum of 15 working days will be allowed for the review of the cost comparison. If no appeals are made within the stated time, the contracting officer will take the requisite action, i.e., cancellation of the solicitation or award of the contract.

7. Processing results of reviews

a. Completed facility-level reviews not involving cost comparisons will be forwarded to the head of the appropriate department or staff office. Where the review resulted in a determination to contract out without a cost comparison, the date of termination of an existing activity will be shown, if applicable. Upon acceptance of the results of the review in Central Office, the inventory record will be updated accordingly, and the facility so advised.

b. Completed reviews involving cost comparisons will be forwarded to the head of the appropriate department or staff office. Where the result was the award of a contract, the date of award will be shown. Where the result was to continue the commercial/industrial activity, all relevant computations will be shown. Upon acceptance of the results of the review in Central Office, the inventory records will be updated accordingly.

c. Central Office reviews resulting in a determination that an activity should not be contracted because of potential delays or disruptions of an essential agency program will be approved by the Associate Deputy Administrator (002). Department and staff office heads will transmit the findings and recommendations to the Associate Deputy Administrator for approval through the Assistant Deputy Administrator (003).

(1) In the event that such a determination is approved, the inventory record will be updated.

(2) In the event that the determination is not approved, a proposed change to the review schedule will be initiated, as specified in paragraph 1c of this section, and will set forth the new proposed schedule for reviewing the activity at each location where it is conducted, and each facility will be so advised.

(3) Documentation of such determinations, either approved or disapproved, will be maintained at the department or staff office level.

SECTION III. NEW STARTS AND EXPANSIONS INVOLVING CAPITAL INVESTMENTS WITH LONG LEAD TIMES

New starts and expansions involving construction contracts or equipment acquistions with long lead times present special problems where cost comparisons are involved. Such activities will be subject to special instructions in conjuction with the review and approval of the request of a construction project, or for controlled equipment. Accordingly, construction projects and equipment requisitions which are related to a new start will be so identified upon submission.

SECTION IV. MAINTENANCE OF RECORDS

1. Agency inventory

A copy of the agency inventory, including scheduled review dates and results of reviews, will be maintained by the Assistant Administrator for Supply Services.

2. Department and staff office inventories

a. Each department and staff office will be responsible for maintaining a copy of its respective inventory, including scheduled review dates and results of reviews.

b. Each department and staff office will maintain: the reviews of its commercial activities conducted centrally; determinations that specified activities are Government functions, as prescribed in section I, Paragraph 3b(1)(a) of this circular; and copies of cost comparison studies conducted at its respective field facilities.

3. Cost-comparison reviews.

The original cost-comparison review and documentation will be maintained by the facility conducting the cost comparison. (For cost comparisons conducted in Central Office, the reviews will be maintained by the appropriate departments of staff offices.)

4. Record retention and disposal

Retention and disposal requirements will be developed by the respective departments and staff offices concerned.

SECTION V. PROCESSING OF APPEALS

1. Appeals from cost-comparison determinations must be registered within the prescribed time frame after public announcement and display of the cost-comparison analysis. The appeal must be in writing, clearly setting forth the specific objection(s) to the cost-comparison analysis. The appeal may be submitted to the contracting officer who will transmit it to the Deputy Administrator (001) through the department or staff office head. Within 30 days of transmittal, the Deputy Administrator will provide the facility with the final decision of the VA regarding the appeal. A copy of the decision will be furnished the cognizant department or staff office head.

2. An appeal from a noncost determination to continue an existing activity, proceed with an expansion, or begin a new start, or an appeal against a decision to cease an activity without undergoing a cost comparison, may be submitted to the head of the organization which conducts or which had conducted the activity. The appeal will be forwarded to the Deputy Administrator through the head of the department or staff office. The appeal will be writing, clearly setting forth the specific objection(s) to the determination. Within 60 days of transmittal, the Deputy Administrator will provide the appellant the final decision. A copy of the decision will be furnished to the cognizant department or staff office head.

3. In the case of appeals received the Deputy Administrator, and where additional data or views are required, an adhoc committee may be convened to assist that individual in reaching a decision. Upon request, departments and staff offices will furnish; appropriate representation to serve on the committee.

4. The VA appeal procedures and any resultant decisions are intended to protect the rights of all affected parties (Federal employees and their representative organizations, contractors and potential contractors, and contract employees and their representatives, etc.). Accordingly, these procedures and decisions may not be subject to negotiation, arbitration or agreement with any one of these parties. VA appeal decisions are final. These procedures do not authorize an appeal outside of the agency or a judicial review.

SECTION VI. RESCISSION

Rescission: VA Circular 00-77-9 is hereby rescinded.

ROBERT P. NIMMO, *Administrator*.

Question 11. If the $2 million for Circular A-76 studies is not appropriated and OMB directs the VA to convert to contract operation without cost comparison studies, will you ask your department heads to proceed or will you appeal the order?

Answer. Mr. Chairman, I do not wish to respond to this hypothetical question. I can inform you that the Office of Management and Budget has given me no order with respect to A-76 except to implement the Circular in accordance with the law and the prudent judgment of concerned officials particularly the Chief Medical Director, for studies affecting the operations of the VA medical care system.

Question 12. Do you think the quality of care in VA medical facilities is the same, not as good as, or better than the quality of care provided on the average in the private sector?

Answer. We believe the quality of care in many of our VA medical facilities is superior to the care generally provided in university hospitals. The quality of care in most medical centers is considered to be as good as, or better than, care in the average community hospital. There are a few VA medical centers in remote locations that probably are unable to match the quality of care provided on the average in the private sector because of limited community medical support resources which result in problems in recruitment and retention of professional staff and specialists available.

In a study conducted by the National Association of Insurance Commissioners, it was established that there is a nationwide average of six malpractice claims per 100 MD's. The average yearly malpractice claims against full-time, part-time and resident VA physicians during the period fiscal year 1976 through fiscal year 1981 was 3.23 per 100 MD's.

The following facts also support the VA quality of care position. As of June 30, 1981, over 60 percent of full-time and 73 percent of part-time VA physicians were board certified. The VA medical centers are subjected to considerable more quality of care reviews than the private sector including GAO, ACP, JCAH and the Residency Review Boards, plus the VA's own Health Services Review Organization and Inspector General audits. Physician professionals are on duty 24 hours a day in every VA medical center which is not the case in the private sector.

In a recent comprehensive scientific survey of VA patient satisfaction, veterans were asked to express candid feelings about six basic "components of care." Following safeguards to protect anonymity, over 20,000 hospitalized patients and more than 54,000 outpatients responded. Hospitalized veterans rated their care highly in five of the six areas, and outpatients gave VA care high marks in all areas. The one area where survey respondents felt the VA could do better was that doctors and nurses could take more time to communicate with the patients. The VA survey report showed higher patient satisfaction results than similiar surveys of community hospitals conducted by Harris and other pollsters.

The survey identified a group of patients who had received care in both VA and community hospitals within the last 18 months. The 6,543 inpatients with this unique perspective compared VA and non-VA care as follows: 51 percent reported care was better in VA facilities; 18 percent said care was better in community hospitals; 31 percent said care was about the same in both.

Question 13. Do you think the VA can provide quality care to veterans at less cost than the same care can be provided in the private sector?

Answer. We believe the VA health care system provides an excellent quality of care at a more than reasonable cost. We have found VA health care to be between 15.1 percent to 19.4 percent less expensive than comparable, private sector care. Cost avoidance to the taxpayer through use of the VA system in fiscal year 1980 for systemwide savings ranges from $385,000,000 to $495,000,000 depending on the "service package" studied.

Were DM&S health care to be "mainstreamed", the ultimate cost to the taxpayer would undoubtedly rise faster than present rates of increase. This is indicated by comparing Medicare, Medicaid and VA (DM&S) on total annual expenditures increases by source of expenditure for hospital costs during fiscal year 1970 and 1979.

[In percent]

	1970	1979
Medicare	34.1	45.4
Medicaid	15.3	16.8
VA–DM&S	10.4	9.3

These percentages amply demonstrate the impact of inflationary forces on the private sector, and the fact that VA DM&S has stayed under the rate of inflation in this period. By changing the delivery system DM&S was also able to double outpatient workload and increase episodes of inpatient care.

Question 14. Administrator, you are quoted in a recent Associated Press article as saying that "the VA may be contributing to a national surplus of doctors." My question is in two parts, first, during last year's hearings on physicians' special pay we were told that the Department of Medicine and Surgery was still experiencing recruiting and retention problems with physicians. Has this situation changed? And secondly, what report is the basis for your remark that there is a national surplus of doctors?

Answer. The most recent information available indicates that the Veterans Administration has made significant progress in alleviating the recruitment problem. As a general trend, the numbers of on-duty physicians and dentists in the VA have increased and the numbers of vacancies and the vacancy rates have decreased between December 1979 and September 1981. For example, the total on duty strength which was 10,378 physicians in December 1979 has increased to 11,218 as of September 1981. In all categories of designated scarce medical specialties the on-duty strength has increased. Concerning a surplus of doctors, various sources have projected a national surplus of physicians. Most recently, the Graduate Medical Education National Advisory Committee submitted a report to the Department of Health and Human Services which projected a surplus of 70,000 physicians in the U.S. by 1990.

Question 15. Is it true that the VA is currently suffering a shortage of nurses? If so, how many nursing vacancies exist, and how many VA hospital beds have been closed due to the shortage?

Answer. The VA currently is experiencing a shortage of registered nurses. Data of December 1981 indicates there were 343 registered nurse vacancies and 819 beds closed specifically due to the nurse shortage. Social, economic, professional and health care system issues cause dynamic shifts and changes affecting nurse recruitment and retention.

Question 16. Congress appropriated $4 million in fiscal year 1982 for nurse scholarships. However, you have not requested funding for the Program for fiscal year 1983. In view of the VA's nursing shortage and the $4 million already appropriated, why did you request no funding for the Program for fiscal year 1983 and how can you effectively reduce your nursing shortages without funding?

Answer. VA Health Professional Scholarship Program will be operated so that one or two year awards will go to Junior and Senior students who are nursing majors. This ensures VA will have obligated funds for students to finish their programs. It enables VA to benefit more quickly from the service obligation of participants who graduate in only a year or two and deal more effectively with some of its nursing shortages.

The severity of the VA nurse shortage is recognized. The scholarship program is but one of several major initiatives directed toward alleviating the VA nurse shortage. Through support from Public Law 92-541, 21 VA nurses currently are in 3 graduate education programs in nursing administration at Columbia University, Teachers College, New York; University of Alabama, and Pittsburgh University. Increased initiatives and heightened efforts in recruitment have yielded 68 new hires since December 1981. Applicants have been hired at 27 VA medical centers through use of:

1. An "800" toll-free number,
2. Reader's Service Label Referral Plan in journals of nursing, and
3. Local job fairs.

The liberalization of compensatory time for nurses has afforded more flexible scheduling of nurses' duty time. Sixty-six VAMCs currently have raised minimum entrance salary rates. Twenty-one VAMCs have expanded salary range for nurses in locations where the shortage is acute.

The scholarship program, although very important, is also subject to competition in the budget process for scarce resources. For fiscal year 1983, it was felt the scholarship program was a lower priority than other activities with a more immediate effect on patients in VA health care facilities.

Question 17. Reference has been made to the low occupancy rate in some VA hospitals. Yet on page 6-10 of Volume II of your budget documents it states:

"Since 1971 the demand on VA for hospital care by patients aged 65 or more has increased after having decreased from 1966 (when medicare began) through 1970. At present, the level of use has returned to 1986 level (before medicare). The lower occupancy rate in some hospitals is due to several factors, including, shorter length of stay, eliminating hundreds of long-term psychiatric beds, and better management generally."

Isn't this a temporary lull before the huge demand for care by the aging World War II veteran population?

Answer. We are in a sense experiencing a temporary lull before the big demand hits. However, as long as construction and operating dollars are available to permit our restructuring the system to accommodate the increased demand associated with aging, efficient occupancy rates can be maintained. The VA's strategy as expressed through the Medical District Initiated Planning Process is to accommodate that demand in the most appropriate medical setting to satisfy the veteran's health care needs, whether it be in a hospital, nursing home, minimal care environment or on an outpatient basis. The size and composition of the system required to accommodate the World War II veteran in the 1990's (as well as other veterans) will be available after November 1982, when the first Medical District Plans become available.

Question 18. The fiscal year 1983 budget request does not indicate the costs of the most recent civilian pay raise, including wage board increases for fiscal year 1982, or how do you plan to deal with these costs. What are the costs and how do you plan to deal with them? Do you plan to absorb any of these costs?

Answer. Below are the fiscal year 1982 pay raise requirements for the Department of Medicine and Surgery:

FISCAL YEAR ESTIMATED PAY RAISE

[Dollars in thousands]

	Total requirements fiscal year 1982	Absorption	Supplemental
Medical care:			
GS	$147,308	0	$147,308
Wage board	18,504	$18,504	0
Pay cap	15,145	15,145	0
Research:			
GS	4,244	0	4,244
Wage board	74	74	0
Pay cap	500	500	0
MAMOE:			
GS	1,078	1,078	0
Wage board	0	0	0
Pay cap	500	500	0
Total:			
GS	152,630	1,078	151,552
Wage board	18,578	18,578	0
Pay cap	16,145	16,145	0

The 1982 pay raise requirements will be included in a government-wide pay raise supplemental request to be submitted by the President in the Spring. The costs of the wage board pay raise and pay cap will be absorbed from within available resources.

Question 19. On page 6-15 of Volume 11 of your budget documents it states that more than $24 million will be saved during the next fiscal year through elimination of beneficiary travel payments to some non-service-connected veterans. Yet, pages 6-38 of the same documents shows a savings of $16,992,000. Which is the correct figure?

Answer. The $24,047,000 reduction in beneficiary travel is partially offset by an expected increase of $7,055,000 for the effects of inflation. As a result, the net reduction in fiscal year 1983 is shown as $16,992,000 in the table.

QUESTIONS SUBMITTED FOR THE RECORD BY HON. SAM HALL

Question 1. When Public Law 95-588, the improved pension program, was enacted in 1978, one of the strongest arguments for the program was the assurance to all Members of Congress that never again would an increase in income cause a disproportionate reduction in pension. If we enact the round-off provision requested in the fiscal year 1983 budget, can we continue to make that statement?

Answer. The rounding of benefits would take place uniformly each time the monthly rate was computed, regardless of the reason for the computation. A reduction of this magnitude would not cause a disproportionate reduction in pension based on an increase in income.

Initially, there would be a slight reduction in VA pension with a maximum possible decrease of $11.88 per annum. Assuming, for example, a qualified veteran alone whose total income is a monthly Social Security payment of $300.00 is currently entitled to an Improved Pension monthly benefit of $113.33. This proposal would reduce his monthly pension payment 33¢ or $3.96 per year. Using the same example, once the procedure is established, an 8.1 percent increase in Social Security benefits (to $324.30) as contemplated in June of 1982, would result in a VA Pension increase approximately 8.0 percent (to $122.00).

Question 2. I notice a proposed reduction of 218 in fiscal year 1983 for the Department of Veterans Benefits, and an increase in the number of personnel engaged in debt collection efforts. How will this affect the quality of service to veterans? The committee is interested in debt collections, but we are more concerned with the quality of service to all veterans since quality service would help avoid the occurrence of overpayments.

Answer. Of course, we too are concerned with the delivery of high quality service to veterans and are certain the reduction will not impair our service.

We have been experiencing a downward trend in our major workload activities and anticipate a continuance of this trend through fiscal year 1983.

Based on current workload projections for the budget year, a total reduction of 261 in average employment is in order.

Programs affected are as follows:

Veterans services	−45
Compensation, pension and education	−166
Loan guaranty (housing)	−50
Total reduction	−261

An increase of 43 will raise the average employment level of the debt collection activity to 240. This is the minimum staffing required for the implementation of Public Law 96-466.

Question 3. Please explain your proposal to limit benefits for veterans who are rated totally disabled and unemployable.

Answer. It is proposed that if a veteran is determined to be unemployable by reason of service-connected disability, consideration will be given to whether the veteran is receiving other Federal benefits based on disability or retirement. If so, payment of compensation would be limited to the monthly rate based on the degree of disability without regard to unemployability (60 percent through 90 percent) or the 100 percent rate less other Federal benefits, whichever was greater.

Question 4. You speak of a difference between a schedular evaluation and unemployability evaluation. Aren't both schedular evaluations and unemployability evaluations about the same thing—a veteran who cannot work because of his service-connected disability has the same or more earning impairment as a veteran who lost both legs? I find it hard to justify penalizing a veteran who cannot work because of his service-connected disability and making compensation subject to other resources. Would you comment on this?

Answer. The severity of the disabilities in these situations is not comparable. A veteran with a total (100 percent) disability evaluation without regard to employability has suffered a disability which has been determined to be of such severity as to cause the average person to be unable to work. A veteran who is receiving the 100 percent rate based on individual unemployability is suffering from a disability which has been determined to be less than totally disabling for the average person.

Question 5. In the past you have defended the prohibition against duplicate benefits which are based on the same period of Federal service. Now, aren't you bringing a separate period of a veteran's career into play be offsetting his VA benefits by retirement benefits earned after his military service? If you are offsetting Federal programs to which a veteran made contributions, why not offset a private pension in the same way?

Answer. Veterans receiving Federal disability or retirement benefits are already receiving Federal benefits based on unemployability, whether that unemployability is caused by disability or age. It is a duplication of Federal benefits if their disability compensation is also increased based on unemployability. The proposal to offset other Federal benefits is intended to prevent the pyramiding of Federal benefits to a level exceeding the obligation of the government to the individual.

QUESTIONS SUBMITTED FOR THE RECORD BY HON. THOMAS DASCHLE

Question 1. Do you have any plans to help fund the Action Agency's Vietnam Veterans' Leadership Program?

Answer. There are no plans to participate in funding the Vietnam Veterans Leadership Program. We would anticipate, however, liaison with this program in the form of briefings and training as requested and/or indicated on VA programs, benefits and services. We would also make available VA pamphlets and other informational tools to support both the staff and clients of this program. Our doors will be open to provide assistance on specific claims, either pending or being initiated, which may be brought to our attention and to aid in problem areas which may arise.

QUESTION SUBMITTED FOR THE RECORD BY HON. MARVIN LEATH

Question 1. The VA Administrator, Mr. Robert Nimmo, appeared before our House Veterans' Affairs Committee recently and said that he was reviewing all major construction projects included in the five year plan of the VA as of 1981. I am specifically concerned about the proposed 275-bed domiciliary for the Olin E. Teague Veterans' Center in Temple, Texas.

Indeed, it is my understanding that this proposed addition to the Teague Center met the rigorous VA requirements justifying the need for this project. I would be interested to know if Nr. Nimmo has information specifically regarding this project indicating that its justification was not through the proper VA procedures.

Answer. The 275-bed domiciliary at VAMC Temple, Temple, Texas was included in the fiscal year 1982–86 Five Year Medical Facility Construction Plan in accordance with existing planning procedures. The project has not yet undergone a detailed development process. As you know, I have directed that a comprehensive reexamination of the VA's five year medical facility construction program be conducted to ensure that our facilities are constructed where they will best serve the needs of our veteran population. All construction projects beyond fiscal year 1983 must be revalidated prior to being restored to the construction schedule. The purpose of this review is not to delay needed construction projects, but to establish criteria to ensure that the projects we do build reflect the best and most effective response to veteran health care needs.

It should be noted that, in addition, we are reviewing our plans for the domiciliary program and the results of this review will be considered on our revalidation of the Temple project. If the need for this project remains valid, it will be restored as a consideration for construction funding in a future budget year.

QUESTIONS SUBMITTED FOR THE RECORD BY HON. ANTONIO WON PAT

Question 1. Is the Administration proposing any reduction in burial benefits for veterans and how much?

Answer. The Administration is not proposing any reduction in burial benefits for veterans.

Question 2. What is the status of Guam's application for funds under ther Administration's Program of Joint Federal/State Cemetery Grants? Will Guam receive sufficient funding under this program to have a cemetery and when would that happen? How would Guam pay for the cost of operating such a cemetery and what should that cost be?

Answer. The Government of Guam, on December 21, 1981, submitted a preapplication for Federal assistance in the establishment of a state veterans cemetery. On January 11, 1982, the applicant was notified that the Veterans Administration would commit $1.6 million in support of the cost of construction on the condition that the project complies with the terms and conditions prescribed by the VA. This amount is subject to adjustment on the review of the formal application. Under grant funding appropriated during fiscal year 1980 and 1981, Guam could receive up to $2 million for the establishment of a cemetery. The VA has offered to waive the requirement of matching funds from Guam. Until the formal application with attachments is received, specific information on the funding to be provided cannot be determined. While the VA provides $150 as an interment allowance for each eligible veteran buried in the cemetery, all other operating and maintenance costs would be the resposibility of the Government of Guam. Annual operating costs would be difficult to determine until data regarding the size of the cemetery and annual interment rates are developed.

Question 3. Is the VA aware of the need on Guam for a veterans cemetery and how does it plant to address this need?

Answer. It is believed that the territory of Guam should utilize the VA State Cemetery Grant Program to establish its own veterans cemetery. There are insufficient numbers of veterans on Guam to support the establishment of a national cemetery.

Question 4. Has the VA ever conducted an investigation into the need for U.S. veterans cemetery on Guam? If so, what are the findings?

Answer. No detailed investigations have been made, however, we have reviewed surveys of veterans population and recognize that some 5,000 to 6,000 veterans are residing in the territory of Guam. Considering the distance to the nearest national cemetery in Hawaii, it would appear that some arrangements are in order for the interment of Guamian veterans and eligible dependents.

Question 5. Could the Guam VA Office review the need for a local Federal cemetery and report back to the committee on its findings?

Answer. The Guam VA Office was established to provide assistance to the veterans of the territory for the provision of VA benefits administered by DVB. Therefore, a study of the need for a local Federal cemetery would not be within the purview of that office.

Question 6. Why is Guam's population being used as a criteria for determining if a cemetery should be funded in the territory? Would not a better criteria be the location of the territory and its remoteness from other facilities such as that in Hawaii?

Answer. Population statistics are used in determining where veterans cemeteries should be established. There are many States that are participating in the State Cemetery Grants Program. This program was established primarily to assist the State/Territories where veterans population is relatively low; where the location of the State/Territory is remote to any active national cemetery; and where the cost of building a national cemetery is not economically feasible.

QUESTIONS SUBMITTED FOR THE RECORD BY CONGRESSWOMAN MARGARET HECKLER

Question 1. Please provide specific figures regarding the amount of funding for Geriatric Research and Education Clinic Centers (GRECCS) for the last three years.

Answer. The three years funding schedule for the GRECC program is as follows:

[Dollars in thousands]

	1981 actual		1982 estimate		1983 estimate	
	Dollars	FTEE	Dollars	FTEE	Dollars	FTEE
Medical care	$4,560	120	$5,365	134	$6,879	169
MAMOE	141	2	116	2	316	2
Research	1,581	512	1,717	55	1,717	55
Total	6,282	173	7,198	191	8,912	226

Question 2. Is the 1983 request essentially a "stand pat" figure or does it show a pattern of growth?

Answer. Funding of Grecc's is in accordance with Public Law 96-330 which stipulates that prior to providing funds for the operation of any additional GRECC's, the Administrator shall assure that each existing GRECC is receiving adequate funding.

The fiscal year 1983 Budget provides for the enhancement of the existing GRECC program.

This enhancement provides for three FTEE and $216,000 to bring the final one of the existing eight GRECC's up to full staffing and funding. The fiscal year 1983 request will provide trainee support of 32 FTEE and $985,000 so that each facility with a designated GRECC will have a model program of 8 trainee positions consisting of medical, dental, nursing and associated health professionals for rotation from the established affiliated programs, $313,000 for uncontrollable increases such as payroll increases and inflation, and $200,000 to provide necessary postgraduate and inservice training support for continuing education effort coordinated with and for the staff of the eight existing GRECC's.

Question 3. When was the most recent GRECC established?

Answer. The Minneapolis GRECC was established September 12, 1977.

Question 4. When do you plan to begin opening new GRECCS which are mandated by Public Law 96-330?

Answer. Expansion of the number of GRECC's will be considered during the formulation of the fiscal year 1984 budget. Plans to reach the level of 15 GRECC's cannot now be made firm due to budgetary and priority restraints.

Question 5. Please explain your understanding of the mandate given VA by Congress in Section III of Public Law 96-330 regarding making the GRECC Program the centerpiece of a new focus on geriatric medicine at the VA.

Answer. The VA clearly understands the mandates of Section III of Public Law 96-330. The VA initially established this program in 1975. Public Law 96-330 established this program in law and provided further emphasis to the development of this program. The purpose behind these centers of excellence is to give a visible focus to the VA's commitment to the aging veterans and to create a critical mass which would lead to way to improve research, education and treatment of our aging veterans. It is felt that the GRECC's allow the VA to recapitulate its experience in improving the quality of care generally by emphasizing research and education very effectively in the area of geriatrics. It is also felt that the use of a common locus for geriatric clinical care, research and education would be superior to that which might be developed when all three elements were fragmented and separated. This movement reached its apogee of recognition with the passage of Public Law 96-330. The emphasis was always to be on the clinical application of knowledge gleaned from the laboratory and from the classroom, and the intent was to capture the imagination and spirit of those individuals who were already practicing geriatrics in the Veterans administration and who could be persuaded that geriatrics was a fit soil in which to apply their talents.

Question 6. Americans generally become eligible for senior citizens programs—housing for the elderly, means, special prescription discounts—at age 60. Is it fair to make veterans wait until age 70 for care at the Veterans' Administration Medical Centers?

Answer. The Administrator, within the limits of Veterans' Administration facilities, may furnish hospital care or nursing home care which the Administrator determines is needed to any veterans for a non-service-connected disability if such veterans are 65 years of age or older. This is similar to the eligibility requirements for Medicare where persons 65 or over and certain disabled persons are eligible for hospital insurance protection. The Veterans' Administration has not recommended or proposed legislation to raise the age requirement for medical care to age 70. If such legislation is proposed, the Agency will offer comments after a thorough review of the proposal.

Question 7. Are you considering establishing an income needs test to qualify a veteran for non-service-connected medical care? If so, what kind of test do you have in mind?

Answer. We are presently developing regulations which will provide a method of determining certain non-service-connected veterans inability to defray the cost of medical care. When such a procedure is developed, it will only be applied to those non-service-connected veterans who are not exempt from affirming their inability to defray by statute.

Question 8. VA's own data shows that the non-service-connected veteran who seeks medical care at VA facilities is typically poor, without assets or an estate. How would an income needs test fit into that picture?

Answer. Only certain non-service-connected veterans would be required to complete the "income needs test". The test is intended to assist the Agency in determining an individual's inability to defray the expenses of medical care. Those individuals who are determined to possess adequate resources would not be placed in VA programs, therefore allowing the VA to allocate its resources to those individuals truly in need.

Question 9. Are you considering limiting the eligibility of veterans for geriatric VA medical care at VA to only and exclusively service-connected disabled veterans?

Answer. The Agency has no such plan. Title 38, Section 610(a) provides that "the Administrator, within the limits of Veterans' Administration facilities, may furnish hospital care or nursing home care which the Administrator determines is needed to any veteran for a non-service-connected disability if such veteran is unable to defray the expenses of necessary hospital or nursing home care" and also "if such veterans is 65 years of age or older."

Question 10. Are all of these policy considerations consistent with the statutory mandate of Public Law 96-330 that the VA intensify, upgrade and expand its programs of geriatric medicine in order to meet the unprecedented demand for such services that a mushrooming veterans senior citizen population is placing upon it?

Answer. Public Law 96-330 stipulates that prior to providing funds for the operation of any additional GRECC's, the Administrator shall assure that each existing GRECC is receiving adequate funding.

For fiscal year 1983, $1,201,000 and 35 FTEE are requested to enhance the development of the eight existing GRECC's by adding 3 FTEE to the core staffing of one GRECC and providing 32 FTEE for rotation of medical, dental, nursing and associated health trainees from established affiliated programs at facilities with a designated GRECC.

In addition, $200,000 is requested in fiscal year 1983 to provide necessary postgraduate and in-service training support for continuing education effort coordinated with and for the staff of the eight existing GRECC's.

For fiscal year 1983 funds are not requested for the expansion of the GRECC Program to additional sites because of resource restraints.

[From the Fort Worth Star Telegram, Feb. 21, 1982]

VETERANS OFFICE DELAYING PLANS FOR CONSTRUCTION

(By Mike Feinsilber)

WASHINGTON.—The Veterans Administration is holding up construction on new medical facilities for hundreds of communities until it can determine whether they really are needed.

Even though he expects outraged opposition, VA administrator Robert Nimmo said he is reconsidering $2.7 billion worth of construction of new, modernized or replacement hospitals, clinics, nursing homes and domiciliaries, or residences for aging veterans.

All the projects under review already have been approved by Congress and are scheduled to be built in fiscal 1984 or later.

Some of the facilities may never be build, he said, if they cannot be justified under new criteria to be developed by the VA.

Another $1 billion worth of fire-, safety-and seismic-related construction scheduled for after 1983 will not be delayed, Nimmo said.

"I'm going to get tons of flak," Nimmo said in an interview Friday, "There will be outrage expressed."

As chief of the VA, Nimmo runs the nation's largest medical care system. The VA annually provides free treatment to nearly 20 million veterans—1.8 million hospital patients and 18 million outpatients—at 172 hospitals. The VA hospital often is the largest single employer in a community.

Nimmo said he knows the construction freeze will be characterized as "the administration's attack on the veteran—an attempt to do away with our integrated, quality health care system."

But Nimmo said he is trying to protect a system that can be attacked as irrational about deciding where new facilities are to be built.

"The best way to protect it is to give it credibility," he said. "The question comes down to: Are we building for the veteran, to meet his needs, or are we building for some other purpose?"

For example, Nimmo said, a large replacement hospital is scheduled for Minneapolis, even though its other hospitals have vacant beds. That project will be reconsidered under Nimmo's new policy.

"Does it make new sense to spend $280 million for a replacement VA hospital in Minneapolis, where we've got 2,000 empty beds already there and where you've got a declining veteran population?" Nimmo asked.

He said VA medical sites always have been selected on a political basis, and there has been little consideration of whether shifts in veterans' populations soon would make them unneeded.

"I just discovered that the other day," he said. "Lights begin to dawn on me how some of these things get put where they are.

"If you have a very active dean of a teaching hospital who can organize the local politicians and say what a marvelous thing it would be if we had a VA hospital here that would provide outstanding care to the veterans of the community and at the same time bring in 1,500 to 1,800 employment positions, it becomes a very strong political force.

"And the local congressman of course listens to that and says, 'Gosh, yes, it would be a good thing to have that hospital in my district and support all those people and make the dean of the university happy.' And that's sort of the way it evolves."

Under the new policy, post-1983 construction projects will have to be found valid under "new and defensible criteria" before they are returned to the construction schedule.

Work scheduled for fiscal 1983 will not be affected.

Nimmo said another issue to be considered is whether future VA hospitals should be part of university medical schools.

Currently, 139 are affiliated. The cost is "tremendous," Nimmo said, because the VA provides staff, classroom space and research money.

With few exceptions, he said, affiliated university teaching hospitals would close if the affiliation ends.

"I would defend to my last breath the idea that the VA ought to be involved in medical research," he said.

"But I do not believe that it is in the interest of the veteran or the taxpayer to assume, as we have, that virtually every VA hospital has to be affiliated with university teaching hospitals and engage in all kinds of research."

He said the VA may be contributing to a national surplus of doctors as well as an oversupply of hospital beds

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MAJOR PROJECTS IN TEXAS LISTED

WASHINGTON.—Here is a list of the major Veterans Administration construction projects in Texas, scheduled to start in fiscal 1984 or later, that are being re-examined to see if they are needed., The figure is the estimated cost.

MEDICAL CENTER CLINICAL IMPROVEMENTS

Fiscal 1984: Dallas, $34.5 million; Amarillo, $44 million; and Big Spring, $4 million.

Fiscal 1986: Kerrville, $7 million; and San Antonio, $23 million.

DOMICILIARY CONSTRUCTION

Fiscal 1984: Temple, $23.8 million

GENERAL PROJECTS

Fiscal 1984: Waco, $8.4 million; and San Antonio, $5.8 million.

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